



# Prospectus

## **TISSUE THERAPIES LIMITED** **ABN 45 101 955 088**

**Fully underwritten non-renounceable pro rata rights issue of 1 New Share for each 8 Existing Shares at an offer price of \$0.50 cents per New Share to raise approximately \$9.36 million.**

Last date for acceptance and payment: 5.00pm (AEST) on 19 May 2011.

Underwriter  
RBS Morgans Corporate Limited ABN 32 010 539 607

This document is important and requires your immediate attention.

If after reading this Prospectus you have any questions about the

New Shares being offered pursuant to this Prospectus

or any other matter, you should consult your professional adviser.

# Table of contents

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<b>Company highlights and recent key activities</b> -----	<b>3</b>
<b>Letter from the Chairman and Managing Director</b> -----	<b>6</b>
<b>1 Offer summary</b> -----	<b>8</b>
<b>2 Overview of Tissue Therapies Limited</b> -----	<b>12</b>
<b>3 Purpose and effect of the Offer and Placement</b> -----	<b>21</b>
<b>4 Principal risk factors</b> -----	<b>24</b>
<b>5 Action required by Eligible Shareholders</b> -----	<b>29</b>
<b>6 Material agreements</b> -----	<b>34</b>
<b>7 Additional information</b> -----	<b>40</b>
<b>8 Definitions</b> -----	<b>43</b>
<b>9 Corporate Directory</b> -----	<b>45</b>

## **IMPORTANT NOTICE**

This Prospectus is dated 15 April 2011. A copy of this Prospectus was lodged with ASIC on 15 April 2011. ASIC and ASX and their respective officers take no responsibility for the contents of this Prospectus. The expiry date of this Prospectus is the date which is 13 months after the date of this Prospectus. No New Shares will be allotted on the basis of this Prospectus later than the expiry date. Application will be made within seven days from the date of this Prospectus for quotation of the New Shares on ASX.

The Prospectus does not constitute an offer in any place where, or to any person to whom, it would not be lawful to make such an offer. The offer of New Shares under this Prospectus is made in New Zealand subject to, and in accordance with the conditions of, the New Zealand *Securities Act (Overseas Companies) Exemption Notice 2002 (SR2002/299, SR2003/204, SR2004/314, SR 2004/426, and SR 2007/326 Amendment)*. The distribution of this Prospectus in jurisdictions outside the Commonwealth of Australia or New Zealand may be restricted by law and persons who come into possession of it should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities law.

This Prospectus provides information for Eligible Shareholders to decide if they wish to take up their Entitlement and should be read in its entirety. If, after reading this Prospectus, you have any questions about the Offer please contact your stockbroker, accountant or other professional adviser without delay.

If you are entitled as an Eligible Shareholder to apply for New Shares pursuant to the Offer, your personalised Entitlement and Acceptance Form accompanying this Prospectus shows the number of New Shares for which you are entitled to apply.

This Prospectus, without the Entitlement and Acceptance Form, is available in electronic form via the Company's website [www.tissuetherapies.com](http://www.tissuetherapies.com). Persons may, during the Offer period, obtain a paper copy of the Prospectus (free of charge) by telephoning the Registry on 1300 551 756 (within Australia) or +612 8280 7782 (outside Australia).

Applications for New Shares under the Offer may only be made by forwarding a complete personalised Entitlement and Acceptance Form to the Registry, or by BPay in accordance with the directions on your Entitlement and Acceptance Form. As the Offer is non-renounceable, Shareholders do not have the right to sell their Entitlements. Eligible Shareholders have the opportunity to subscribe for all, part or none of their Entitlement to New Shares under the Offer. Eligible Shareholders may also apply for additional Top-Up Shares in excess of their Entitlement under the Offer. The allocation of Top-Up Shares is not guaranteed. The Offer is fully underwritten by RBS Morgans Corporate Limited.

Defined terms and abbreviations used in this Prospectus are explained in the Definitions section. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Any photographs or descriptions of clinical and pre-clinical subjects used in this Prospectus are illustrative of medical conditions and associated symptoms and potential applications for VitroGro®. Actual pre-clinical and clinical results may vary from those shown or described.

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY. AN INVESTMENT IN TISSUE THERAPIES LIMITED SHOULD BE CONSIDERED SPECULATIVE.**

## Key details

<b>New Share Offer Price</b>	\$0.50 per New Share
<b>Entitlement</b>	1 New Share for every 8 Existing Shares held
<b>Number of New Shares to be issued under the Offer</b>	approximately 18.72 million New Shares
<b>Number of New Shares to be issued under the Placement</b>	11.50 million New Shares
<b>Amount to be raised under the Offer (before Costs)</b>	approximately \$9.36 million
<b>Amount to be raised under the Placement (before Costs)</b>	approximately \$5.75 million

## Key dates

<b>Announcement of the Offer and Placement</b>	15 April 2011
<b>Ex Date</b>	19 April 2011
<b>Settlement of Placement Shares</b>	20 April 2011
<b>Expected date for commencement of normal trading and quotation of Placement Shares on ASX</b>	21 April 2011
<b>Record Date for calculating Entitlements to New Shares<sup>1</sup></b>	7.00pm (AEST) 28 April 2011
<b>Prospectus despatched on or before</b>	29 April 2011
<b>Closing Date and latest time for payment in full for New Shares</b>	5.00pm (AEST) 19 May 2011
<b>Securities quoted on a deferred settlement basis</b>	20 May 2011
<b>Expected date for despatch of New Share transaction confirmation statements</b>	26 May 2011
<b>Expected date for commencement of normal trading and quotation of New Shares on ASX</b>	27 May 2011

<sup>1</sup> Persons registered as holding Placement Shares on the Record Date will be entitled to participate in the Offer.

# Company highlights and recent key activities

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VitroGro® has been developed from a profound set of discoveries by the Chief Scientific Officer, Professor Zee Upton, described in more than eight years of peer reviewed, published scientific papers. VitroGro® is a new type of wound care treatment, being a synthetic fusion protein.

All current data including sophisticated health economics modelling indicates that VitroGro® may offer significant cost effectiveness, particularly in the treatment of venous ulcers which represent 70% of all chronic skin wounds.<sup>1</sup>

Part of the cost effectiveness of VitroGro® for the treatment of diabetic, venous and pressure ulcers is due to the fact that it can be used easily, quickly, conveniently and consistently, as has been demonstrated in the human trials.

VitroGro® is protected by a family of international patent applications with patents already granted in the EU, US, China, Japan, South Korea, South Africa, Australia and New Zealand.

Tissue Therapies is currently at a crucial stage of development that may deliver significant commercial value to the Company and Shareholders. This potential is underpinned by:

## Clinical Trials

The successful human clinical trials of VitroGro® in Australia and Canada have provided a solid foundation for the execution of the commercialisation plans for VitroGro® for the treatment of diabetic, venous and pressure ulcers. The results from these clinical trials have been of particular value in the ongoing commercial partner negotiations and provided the basis for the design of the EU multi-centre human trial that is currently underway.

Key findings from the Australian 30 patient venous ulcer trial of VitroGro® include:

- Average time ulcer had not responded to expert care before VitroGro® treatment was 11 months
- Five patients were completely healed with VitroGro® treatment over 24 days
- Reduced average venous ulcer area from 6.6 to 3.8 cm<sup>2</sup> (43%) occurred in 24 days
- Reduced wound area was highly statistically significant  $p < 0.0001$
- A further five patients completely healed within six weeks of starting the study
- VitroGro® is safe and well tolerated

These are very positive results compared to those achievable with current treatments. Complete healing rates for diabetic, venous and pressure ulcers remain at approximately 25 – 50% following up to 20 weeks of treatment.<sup>2,3</sup>

## Commercialisation Strategy

The EU trial is being conducted at five sites; two in Wales and three in Australia. The results are currently expected to be available at the end of June 2011 and will be used for applications for approval for sale in the EU as well as the rest of the world outside of the US.

Expert US regulatory consulting assistance is currently being used to prepare the Device Premarket Approval (PMA) application and for the design of a US clinical trial, the results of which will be used to apply for approval for sale in the US. Discussions are also taking place with appropriately experienced and qualified US clinicians to act as Chief Clinical Investigator for this human trial.

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<sup>1</sup> Frost & Sullivan and Cancare Consultancy Services: Clinical Guide to Wound Care, 6th Ed. 2008, Hess CT, Lippincott, Williams & Wilkins

<sup>2</sup> Margolis, DJ, Allen-Taylor L, Hoffstad O, Berlin JA. Healing diabetic neuropathic foot ulcers: are we getting better? Diabet Med. 2005; 22 (2): 172-176

<sup>3</sup> Franks PJ, Moffatt CJ. Health related quality of life in patients with venous ulceration: use of the Nottingham health profile. Qual Life Res. 2001;10 (8): 693-70

Additional expert industry consultants are also providing advice on a sophisticated, epidemiology-based global market sizing model, a detailed health economics model and world wide regulatory approval for sale applications.

Based on its review of advice and industry data, the Board has formed the view that its earlier estimate for the advanced wound care market of US\$7 billion is too low and that it is likely that the current world wide market for the treatment of diabetic, venous and pressure ulcers is approximately US\$14 billion, growing to US\$30 billion in 2014.

Key emerging issues supporting market growth include, aging populations and the diabetes pandemic which suggests high prevalence of diabetes in some countries (up to 30% in some South Pacific island nations and almost 20% in a number of Middle Eastern countries).<sup>4</sup>

The Company's new insights into the size of the global advanced wound care market highlight the need to quickly increase the manufacturing scale used for the production of VitroGro®. A detailed plan to achieve this has been agreed with the contract manufacturer.

Commercial partner negotiations are progressing well with a consensus on the framework for a commercial agreement. This includes the expectation that Tissue Therapies will manufacture VitroGro® and supply it to the commercial partner on a world-wide exclusive basis for wound healing.

Tissue Therapies will conduct all regulatory approval trials in its name and at its cost. Consequently, Tissue Therapies will be the regulatory approval sponsor of VitroGro® in all jurisdictions which provides the Company with significant control and practical commercial advantage. It is anticipated that these approvals will also generate milestone payments to Tissue Therapies.

While the Directors of Tissue Therapies are confident that a commercial partnering agreement will be concluded in the short-medium term, there is no guarantee this will be achieved or the terms of any agreement will be as favourable to the Company as anticipated. Key risks associated with Tissue Therapies' strategy are outlined below.

### **Highlights of the Offer**

- Opportunity to acquire New Shares in Tissue Therapies at \$0.50, a 25.3% discount to the weighted average closing price for the five trading days to 12 April 2011
- Offer made at the same price as the Placement to sophisticated and professional investors announced 15 April 2011
- Eligible Shareholders may apply for Top-Up Shares in excess of their Entitlement
- Proceeds from the Offer and the Placement will be used primarily for:
  - Larger Scale Manufacturing
  - Regulatory and Reimbursement Approvals
  - Acceleration of pipeline technology product development
  - Operating expenditure
- No brokerage or stamp duty is payable on the issue of New Shares

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<sup>4</sup> International Diabetes Federation <http://www.idf.org/diabetes-facts-and-figures>

## Risks

The Directors believe the primary risks associated with an investment in Tissue Therapies are:

- *Clinical trial risk* - Tissue Therapies' ability to obtain regulatory approval for its products and profitability commercialise its products is dependent upon its ability to conduct successful clinical trials which are inherently risky, depend upon the availability of patients and regulatory approvals, and have no guarantee of returning efficacious results or proving practical or cost effective.
- *Regulatory and reimbursement approval risk* – Tissue Therapies' ability to research, develop, manufacture and sell its products is dependent upon regulatory approvals in target markets, for which there is no guarantee of securing such approvals in a timely and cost effective manner. While submissions may be made for reimbursement in certain jurisdictions, there is no guarantee that Tissue Therapies will be reimbursed for any costs associated with developing its products, which may adversely impact its financial position.
- *Delay risk* – the potential for delay of any of the key milestones, presents a number of risks, including the ability to secure a commercial partner, receive regulatory classification and achieve revenues within estimated timeframes.
- *Manufacturing and distribution capability risk* – Tissue Therapies' ultimate success is dependent upon its ability, or that of its commercial partner, to scale up and maintain production within the estimated time frame, and in accordance with regulatory standards.
- *Commercial partnering risk* – there is a risk that Tissue Therapies will not be able to identify an appropriate industry partner or negotiate attractive terms for a commercial agreement, which Tissue Therapies requires in order to commercialise its products.

These are a summary of some of the potential risks associated with an investment in Tissue Therapies. Before making a decision to invest, you should read section 4 which further details key risks.

“ . . . The one thing that was impressive both from the preclinical data and the early clinical studies is that in the clinical studies particularly, there seemed to be a greater consistency of response in the patients that were exposed to this product, far more consistent than I've seen with other biological therapies that I personally have been involved in trialling or evidence that I have reviewed in other capacities. ”

Professor Keith Harding, Cardiff University

# Letter from the Chairman and Managing Director

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Dear Shareholders

On behalf of your Board, it gives us great pleasure to offer you this opportunity to increase your investment in Tissue Therapies through participation in this 1 for 8 non-renounceable pro rata issue of new Tissue Therapies shares at a price of \$0.50 per New Share. This represents a 25.3% discount to the weighted average closing price of Tissue Therapies over the past five trading days to 12 April 2011 and is open to Shareholders holding shares on or before 28 April 2011. It is also the same price offered to sophisticated and professional investors under the Placement announced on 15 April 2011.

Tissue Therapies intends to raise approximately \$9.36 million before Offer Costs through the issue of approximately 18.72 million Shares. In conjunction with the Placement which raised \$5.75 million before Placement Costs through the issue of 11.50 million Shares, Tissue Therapies intends to raise approximately \$15.10 million.

The Offer is fully underwritten by RBS Morgans Corporate Limited.

Commercial partner negotiations are progressing well with a consensus on the framework for a commercial agreement. Particularly pleasing is the plan for Tissue Therapies to proceed with all regulatory approval processes in Tissue Therapies name, including in the US. This will not only provide Tissue Therapies with the significant practical advantages of being the regulatory sponsor in all jurisdictions, but these approvals, once a commercialisation deal is concluded, are likely to trigger milestone payments to Tissue Therapies.

If concluded within the anticipated timelines, the launch of VitroGro® wound healing products is expected in the EU in early 2012.

In preparation for regulatory approval and sales, the Company has sought expert advice from carefully selected consultants in the US and EU. One result of this advice has been the Board revising its assessment of the size of the global market for treatments for diabetic, venous and pressure ulcers. The Board is now of the view that the potential market for VitroGro® wound care products is substantially higher than the Board's earlier estimates.

This has highlighted the necessity to increase the scale of production of VitroGro® and a detailed plan for this has been agreed with the contract manufacturer.

Maximising the commercial interests of the Company requires, in the Board's view, additional capital to fund these activities now.

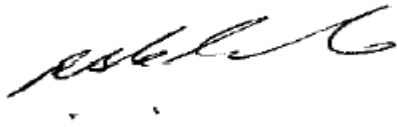
The Board proposes to apply the proceeds of the offer and the Placement for larger scale manufacturing, to fund regulatory and where necessary, reimbursement approvals for further product development, and other business expenses. While it might be possible to achieve these goals over a longer period without this fundraising, the Directors believe it is critical that Tissue Therapies move quickly to maximise the significant commercial opportunities now open to the Company and in doing so, further enhance potential shareholder value.

This Prospectus contains more detailed information about Tissue Therapies' operations, financial position and future plans. It also outlines potential risks associated with further investment in the Company. We encourage you to read this document carefully and consult your accountant, stockbroker, lawyer or other professional adviser before making your investment decision.

To date, Shareholders have shown great loyalty to Tissue Therapies and we believe you will see the merit in supporting this major fundraising initiative.

Your Board commends this offer of New Shares for your consideration.

Yours faithfully

Handwritten signature of Roger Clarke in black ink.

Roger Clarke  
**Chairman**

Handwritten signature of Steven Mercer in black ink.

Steven Mercer  
**Managing Director**

## 1 Offer summary

This summary is not intended to give full details of the investment opportunity. Shareholders must read this Prospectus in full, together with all information available as set in section 6.1, to make a fully informed investment decision.

### 1.1 Offer highlights

The Offer Price per New Share is \$0.50 which is the same price at which the Placement Shares were offered.

#### Effect on capital structure

<b>Shares on issue at the date of this Prospectus</b>	138,301,447
<b>Total Shares on issue at the Record Date<sup>^</sup></b>	149,801,447
<b>New Shares offered under this Prospectus*<sup>^</sup></b>	18,725,181
<b>Total number of Shares after Offer of New Shares*<sup>#</sup></b>	168,526,628
<b>Amount to be raised under the Offer (before Costs)</b>	\$9,362,590
<b>Total amount to be raised under the Offer and Placement (before Costs)</b>	\$15,112,590
<b>Approximate market capitalisation<sup>1</sup> of Shares and New Shares at the Offer Price*<sup>^</sup></b>	\$84,263,314

\* Subject to rounding.

<sup>^</sup> Includes the Placement Shares.

<sup>#</sup> Assumes no Options will be exercised. See section 3.2.

<sup>1</sup> This assumes the Offer Price of \$0.50 per New Share. There is no guarantee as to the Company's market capitalisation following issue of the New Shares or in the future. The Share price may rise or fall and Shares may trade at a discount if there is limited liquidity in the market for Shares.

The number of New Shares may vary depending upon rounding. Additionally, should optionholders exercise their Options before the Record Date, this will increase the number of New Shares to be issued and the amount to be raised. Any additional funds will be applied to general working capital. Refer to sections 3.1 and 3.2 for further details.

#### Important dates

<b>Announcement of Offer and Placement</b>	15 April 2011
<b>Ex Date</b>	19 April 2011
<b>Settlement of Placement Shares</b>	20 April 2011
<b>Expected date for commencement of normal trading and quotation of Placement Shares on ASX</b>	21 April 2011
<b>Record Date to calculate Entitlement to New Shares</b>	7.00pm (AEST) 28 April 2011
<b>Prospectus and Entitlement and Acceptance Form despatched to Shareholders (on or before)</b>	29 April 2011
<b>Last date for receipt of Entitlement and Acceptance Form and payment - Closing Date</b>	5.00pm (AEST) 19 May 2011
<b>Securities quoted on a deferred settlement basis</b>	20 May 2011
<b>Despatch of New Shares transaction confirmation statements</b>	26 May 2011
<b>Expected date for commencement of normal trading and quotation of New Shares on ASX</b>	27 May 2011

Note: These dates are indicative only. Tissue Therapies, reserves the right, subject to the Corporations Act and Listing Rules, to vary the dates and times of the Offer, without prior notice, including closing the Offer before the scheduled Closing Date. Shareholders are encouraged to submit their Entitlement and Acceptance Forms as soon as possible.

## 1.2 Description of the Offer and Placement

The Company is offering approximately 18.72 million New Shares to Eligible Shareholders of the Company who are registered holders at the Record Date. The Offer will raise approximately \$9.36 million (before Costs), in addition to the Placement which raised approximately \$5.75 million (before Costs) through the issue of 11.50 million New Shares.

The New Shares are being offered on the basis of 1 New Share for every 8 Existing Shares held at the Record Date at an Offer Price of \$0.50 per New Share. The offer of New Shares under this Prospectus is restricted to Eligible Shareholders of the Company who are registered as at the Record Date.

The Placement Shares will be issued before the Record Date, which means that any investors who participated in the Placement who, on the Record Date, have a registered address in Australia or New Zealand, will be Eligible Shareholders for the purpose of this Prospectus and entitled to participate in the Offer.

The number of New Shares to which you are entitled as an Eligible Shareholder is shown on the accompanying Entitlement and Acceptance Form. The New Shares will be fully paid and will rank equally with Existing Shares. The rights attaching to the New Shares will be the same as the rights attaching to Existing Shares.

Fractional Entitlements to New Shares are rounded up to the nearest whole number. Tissue Therapies reserves the right to aggregate holdings where it believes holdings have been split in order to take advantage of this rounding. Tissue Therapies also reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements.

Any New Shares which are not applied for by Eligible Shareholders (including under the Top-Up Facility) by the Closing Date will become Shortfall Shares and will be taken up by the Underwriter.

## 1.3 Entitlement and Closing Date

The Prospectus accompanied by Entitlement and Acceptance Forms will be despatched by no later than 29 April 2011.

The Offer will close at 5.00pm (AEST) on 19 May 2011, subject to the right of the Company to extend the Closing Date.

As the Offer is non-renounceable, Eligible Shareholders do not have the right to sell their Entitlements. Eligible Shareholders have the opportunity to subscribe for all, part or none of their Entitlement to New Shares. In addition, Eligible Shareholders may apply for Top-Up Shares under the Offer pursuant to section 1.4.

**You should be aware that your Entitlement may have value. If you decide not to accept all or part of your Entitlement, your Entitlement will lapse. It is therefore important that you take action if you wish to accept your Entitlement in accordance with the instructions on the accompanying Entitlement and Acceptance Form.**

**Action required by Eligible Shareholders is set out in section 5.**

## 1.4 Application for Top-Up Shares beyond your Entitlement

New Shares not taken up by Eligible Shareholders pursuant to their Entitlement will comprise the Top-Up Shares. Eligible Shareholders may in addition to their Entitlement, apply for any number of Top-Up Shares, regardless of the size of their present holding.

**For example, if an Eligible Shareholder owns 8,000 Shares, the Shareholder will be entitled to apply for 1,000 New Shares under the Offer. That Shareholder may wish to apply for Top-Up Shares to increase their holding. While there is no limitation on any Shareholder applying for Top-Up Shares, in the case of Applications exceeding the total number of New Shares available, the Directors will exercise their absolute discretion about the allocation of Top-Up Shares. They will however seek where possible to permit smaller Eligible Shareholders to increase their holding as a priority.**

It is possible that there will be few or no Top-Up Shares available for issue. It is an express term that Eligible Shareholders are bound to accept a lesser number of Top-Up Shares allotted to them than applied for and Applicants are bound to accept a refund of money for the number of Top-Up Shares that may have been applied for.

There is no guarantee that any Top-Up Shares applied for will be issued to you.

No interest will be paid on any money refunded to Applicants in these circumstances.

### **1.5 What will happen if I accept my full Entitlement?**

If you take up your full Entitlement, your pro-rata shareholding in Tissue Therapies will not be diluted by the issue of New Shares under the Offer (except to the extent that Existing Options are exercised before the Record Date and additional Entitlements to New Shares are taken up).

You should also be aware that the issue of the Placement Shares will have a dilutionary impact on your holding, as will the issue of New Shares to holders of Placement Shares which will be entitled to participate in the Offer provided they are 'Eligible Shareholders' on the Record Date.

If you apply for and are issued additional Shares under the Top-Up Facility, your proportionate interest in Tissue Therapies will increase correspondingly.

### **1.6 What will happen if I do not accept my full Entitlement?**

If you do not take up your full Entitlement under the Offer, to the extent holders of existing Options exercise their Options and acquire Shares, and to the extent Eligible Shareholders acquire additional Shares under the Top Up Facility, then your shareholding in Tissue Therapies will be diluted as will your corresponding rights to future earnings and net assets of Tissue Therapies.

As the Offer is non-renounceable, if you decide to not take up all of your Entitlement, it will lapse on the Closing Date to the extent that it is not taken up. If Entitlements lapse, the Underwriter will (subject to the termination rights under the Underwriting Agreement) subscribe for, or arrange subscribers for the New Shares the subject of those Entitlements.

### **1.7 Optionholders**

In order to take part in the Offer, existing Tissue Therapies Optionholders must exercise their existing Options before the Record Date. There are 2,455,000 Options currently on issue. Details are set out in section 3.4.

### **1.8 Shareholders outside Australia or New Zealand**

The Company will only extend the Offer to Eligible Shareholders with registered addresses in Australia or New Zealand. The Company considers it would be unreasonable to extend the Offer to Shareholders with registered addresses in other jurisdictions having regard to the small number of those Shareholders, the small number and value of securities that would be offered in those jurisdictions and the costs of complying with legal and regulatory requirements in those jurisdictions.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

### **1.9 Ranking of New Shares**

The New Shares will be fully paid and rank equally with Existing Shares. The rights attaching to the New Shares will be the same as the rights attaching to Existing Shares issued in Tissue Therapies.

### **1.10 Market price of Tissue Therapies Shares on ASX**

The highest and lowest closing sale prices for Shares on ASX during the 12 months immediately preceding the date of this Prospectus, and the respective dates of those sales, were \$0.80 on 29 December 2010 and \$0.125 on 5 May 2010. The closing price for Shares on ASX on 12 April 2011, being the last trading day before the date of this Prospectus, was \$0.655 per Share. The price per Share issued under the Placement was \$0.50.

### **1.11 Annual Report and other reporting**

A summary of the strategic focus, major activities and financial information relating to the Company is contained in the Annual Report. A full copy of the Annual Report has been lodged with ASX.

A summary of the Company's financial statements for the half year ending 31 December 2010 are contained in the Half Yearly Report lodged with ASX.

Any person who wishes to obtain a copy of the Annual Report or the Half Yearly Report may request a copy from the Company. The Company will provide a copy of the Annual Report or the Half Yearly Report free of charge to anyone who asks for it during the term of this Prospectus.

### **1.12 Summary only**

This summary is not intended to give full details of the investment opportunity. Investors should read this Prospectus in full to make a fully informed investment decision.

### **1.13 Enquiries**

If you require advice about whether to accept your Entitlement, you should seek professional advice from your legal, investment or other adviser.

### **1.14 Underwriting**

The Offer is fully underwritten by RBS Morgans Corporate Limited.

The Underwriting Agreement entered into between the Company and the Underwriter provides that the Underwriter may terminate the Underwriting Agreement in certain circumstances. The Underwriting Agreement is summarised in section 6.2 of this Prospectus.

## 2 Overview of Tissue Therapies Limited

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### 2.1 Objective: to commercialise VitroGro®

Tissue Therapies is converting more than eight years of scientific research, protein engineering, preclinical and human clinical results into novel wound healing treatments for diabetic, venous and pressure ulcers, at an end user price that the Company believes will be significantly more cost effective than existing treatments.

**The Company's objective is to make VitroGro® the industry standard of care wound healing technology for acute and chronic wounds.**

**To achieve this, Tissue Therapies plans to launch VitroGro® wound healing products world-wide over the next two years by:**

- 1. Finalising a commercial partner agreement**
- 2. Increasing the scale of manufacturing to meet the significantly larger market opportunity that has been identified by the Company**
- 3. Gaining regulatory approvals for sale starting with the EU**
- 4. Gaining reimbursement approvals where this will enhance sales, starting with the UK and France**

### 2.2 Commercial Partner Negotiations

Tissue Therapies is in negotiations with a shortlist of prospective large, international commercial partners for the world wide launch of VitroGro® wound healing products, initially for the treatment of diabetic, venous and pressure ulcers. These potential partners include a number of the largest wound and healthcare companies in the world, all of whom are capable of the rapid world wide rollout of VitroGro® wound healing products.

The Board is of the view, based upon feedback from potential partners, independent advisors and an assessment of value drivers for the Company, that to enhance the prospects of a successful partnering arrangement:

1. Tissue Therapies will need to manufacture and supply VitroGro® to the commercial partner
2. The relationship will be on a world-wide exclusive basis for sales into defined market segments
3. Payment arrangements would likely accord with market practice and would likely see Tissue Therapies receive an upfront payment, milestone payments to incentivise development and a royalty on sales
4. At least initially, VitroGro® will be provided by Tissue Therapies and sold by the commercial partner as standalone product, packaged, ready for sale
5. Tissue Therapies will need to conduct and fund all regulatory approvals in Tissue Therapies name (i.e. Tissue Therapies will be the regulatory approval sponsor)
6. Tissue Therapies will also be required to conduct and fund reimbursement approvals in those international jurisdictions where this is necessary (e.g. US, UK, France)
7. Tissue Therapies will seek to negotiate milestone payments from the commercial partner for all regulatory approval and reimbursement activities conducted and funded by Tissue Therapies
8. Other milestone payments (also under negotiation) will also likely be payable to Tissue Therapies

While the Directors of Tissue Therapies are confident of the potential for a commercial partnering agreement to be concluded in the short-medium term, there is no guarantee this will be achieved or the terms of any agreement will be as favourable to the Company as anticipated. Investors should refer to the Risks in section 4.

There are multiple commercial benefits to Tissue Therapies in being the regulatory approval sponsor for VitroGro® products and to control reimbursement arrangements in those countries where these will optimise sales. Being the regulatory sponsor and having control of reimbursement arrangements will allow Tissue Therapies to retain the initiative, enhance future flexibility and are of commercial value.

Successful completion of these regulatory and reimbursement approvals should also provide milestone payments to Tissue Therapies, enhancing future cash flow and profitability. It is therefore important that Tissue Therapies vigorously pursue these approvals.

### **Anticipated Regulatory Approvals and Market Entry Plans: (Calendar Years)\***

#### **European Union**

Complete EU multicentre clinical venous ulcer trial	30 June 2011
Approval for sale in EU	1 <sup>st</sup> Quarter 2012
Sales launch in EU	2 <sup>nd</sup> Quarter 2012

#### **US (FDA)**

Formal FDA request for designation as a device	2 <sup>nd</sup> Quarter 2011
Venous ulcer clinical trial completed	3 <sup>rd</sup> Quarter 2012
Approval VitroGro® for treatment of venous ulcers	2 <sup>nd</sup> Quarter 2013
US launch of VitroGro® for treatment of venous ulcers	3 <sup>rd</sup> Quarter 2013
Diabetic and pressure ulcer clinical trials completed	2 <sup>nd</sup> Quarter 2013
Approval of VitroGro® for treatment of diabetic and pressure ulcers	4 <sup>th</sup> Quarter 2013
US launch of VitroGro® for treatment of diabetic and pressure ulcers	1 <sup>st</sup> Quarter 2014

#### **Rest of World**

Regulatory approval for sale: starting	4 <sup>th</sup> Quarter 2011
World-wide launch outside EU and US: starting	3 <sup>rd</sup> Quarter 2012

\*The above dates represent the currently anticipated timing of events noted, taking into account the Company's own enquiries and assessment of advice received from its consultants. The processes involved in achieving key milestones are outlined below. Some items will require action by third parties, including regulatory agencies, and are therefore beyond the direct control of Tissue Therapies. As with any company operating within the industry, there are risks of delay in the commercialisation timetable, including regulatory approval and market entry. These risks are set out in section 4.

It is estimated that the top five markets in the EU (i.e. UK, France, Germany, Spain and Italy) represent 26% of the world market for wound healing products. (Please see the section Market Opportunity below.) The start of sales in the EU in early 2012 is a significant opportunity for Tissue Therapies in terms of milestone payments and royalties.

## **VitroGro®**

VitroGro®, as a topical wound healing treatment, has been classified as a medical device by Health Canada and by the UK regulatory authority, the Medicines and Healthcare Products Regulatory Agency (MHRA). This means that in Canada and the EU, VitroGro® used topically for wound healing is a medical device and not a pharmaceutical.

This distinction is important because it means that only a single small clinical trial of VitroGro® is required for regulatory approval for sale of wound healing products. VitroGro® will not have to proceed through the multiple Phase human trials required for pharmaceutical approval.

Individual applications for approval for sale will be necessary in each country worldwide, using the data obtained from the EU and US human trials. A number of mutual recognition agreements exist between different health regulatory jurisdictions e.g. EU, Canada and Australia and these will be used to expedite approvals for sale.

A Request for Designation (RFD) to the US FDA to formally classify VitroGro® as a device is almost complete. It is planned to submit this during April 2011 and based on advice from three well qualified American regulatory consultants, the Board of Tissue Therapies believes that a formal device classification should be received from the FDA by the end of June 2011.

This is reinforced by the fact that the FDA has already approved as devices multiple extracellular matrix protein products derived from animal tissue.

Based on existing approvals and consulting advice received by Tissue Therapies, it seems very likely that VitroGro® wound healing products will be classed as medical devices world wide.

In most parts of the world there is no reimbursement for wound healing products and even in those countries where reimbursement does exist, this is not required prior to the launch of VitroGro® wound healing products. Sales of VitroGro® wound healing products can begin as soon as regulatory approvals are received in each jurisdiction. When completed, reimbursement studies will optimise market penetration in those countries where reimbursement arrangements for wound care products are in place.

It has been agreed with potential commercial partners that Tissue Therapies will conduct the regulatory approval and where necessary, reimbursement studies, at the Company's cost. This will mean that Tissue Therapies will be the regulatory approval sponsor and will control reimbursement approvals. The intention is that the completion of each of these will trigger milestone payments to the Company.

### **2.3 What is VitroGro®?**

VitroGro® consists of a novel synthetic human extracellular matrix protein formulation that substantially accelerates skin cell growth and migration, the essential elements of tissue repair and wound healing.

VitroGro® has been developed from a profound new understanding of normal wound healing mechanisms. The ability of VitroGro® to deliver these essential, natural wound healing proteins gives it the exceptional peer reviewed, published results derived from more than 8 years of scientific research with live human skin and more recently, excellent clinical results in the treatment of diabetic and venous ulcers.

**There is no comparable technology available for wound healing.**

### **2.4 VitroGro®'s key benefits**

- Simple, effective, predictable wound healing with tiny doses** ✓
- Potential for new wound healing treatments for diabetic, venous and pressure ulcers, at an end user price that will be more cost effective than existing treatments** ✓
- Retains wound healing activity in presence of chronic wound fluid** ✓

**Can be freeze dried for easy, cheap storage, transport and incorporation into wound dressings / treatments** ✓

**Retains wound healing activity after gamma irradiation; important for quick, cheap incorporation into wound dressings that are routinely sterilised with gamma irradiation at end of manufacture** ✓

**Restores normal wound healing in human skin cells biopsied from the edge of chronic diabetic ulcers, in the presence of elevated glucose** ✓

**Allows creation of live human skin in the laboratory; proof of the power and versatility of VitroGro® and an exceptional research tool** ✓

The VitroGro® technology is protected by a family of international patent applications, with one or more of these already granted in the US, European Union, China, South Korea, South Africa, Japan, Australia and New Zealand.

New formulation VitroGro® combines segments of naturally occurring human extracellular matrix and other proteins into a single polypeptide. By restoring normal wound healing, VitroGro® is highly efficient, with only a very small quantity required for effective wound healing (nanograms per square centimetre).

**The Board believes based on low dose and high potential larger scale production, this will allow new VitroGro® wound healing products to offer attractive price / performance to patients and health care providers while delivering a substantial profit flow to Tissue Therapies' commercial partner(s) and Tissue Therapies' Shareholders.**

## 2.5 Competitive Advantage

VitroGro® is the first in a new class of recombinant extracellular matrix (ECM) fusion proteins for wound healing. The VitroGro® structure combines specifically selected components of naturally occurring ECM proteins that are conducive to wound healing. It works by replacing the degraded matrix present in chronic, non-healing wounds with a matrix that promotes cell adhesion and migration; the two essential elements of wound healing.

The VitroGro® protein is produced synthetically and is not derived from human or animal tissue, as are a number of other wound treatment products. Health regulators consider synthetic products produced to GMP standards like VitroGro®, to be lower risk than those manufactured from animal tissues because synthetic products like VitroGro® carry no risk of transmitting animal diseases to humans and synthetic products are more uniform from batch to batch.

Based on the scientific and clinical data, the Board believes that VitroGro® should become the first choice to promote healing in chronic and at least some acute wounds such as burns, because VitroGro® promotes healing:

- Consistently
- Conveniently
- Cost effectively

**VitroGro® has the potential to substantially improve the lives of millions of patients suffering chronic skin wounds.**

Clinical trial results from Canada and Australia confirm that VitroGro® can substantially increase the incidence of complete healing and reduce treatment time for diabetic and venous ulcers, as well as being more cost effective than currently available treatments.

VitroGro® will be convenient to use because it:

- Allows simple, quick, painless application to the wound, encouraging patient compliance
- Can be easily used in the home and does not require a physician or expert health staff
- Can be used with a wide range of the wound dressings
- One or two applications per week is consistent with the current timing of dressings changes in world wide clinical practice

- Involves less complex application procedures compared to many current treatments, particularly skin substitutes and negative pressure treatments

All data indicates that VitroGro® wound dressings have the potential to transform the treatment of diabetic, venous and pressure ulcers; a world wide market that is estimated by the Board to now be growing at 25% per annum.

## 2.6 Manufacturing Scaleup

The Board has identified the need for more aggressive manufacturing scale up, based on its enquires and assessment of epidemiologic data. The Board is of the opinion that the size of the world advanced wound healing market for diabetic, venous and pressure ulcers is significantly larger than the US\$7 billion indicated by previous industry data.<sup>5</sup> The Board believes that the current potential global demand for an effective treatment for diabetic, venous and pressure ulcers is in the region of US\$14 billion and that the combination of an aging world population and the rapid increase in the incidence of these chronic wounds will drive market growth of approximately 25% per annum in the future. (See section 2.7 below regarding 'Market Opportunity'.)

In short, the Board believes VitroGro® represents a strong potential product opportunity particularly as there are currently no comparable treatments and a substantial unmet need. (Please see the Section Market Opportunity below.)

To meet this demand, the Company will need to further increase the scale of manufacturing and a detailed plan to achieve this has been finalised with the contract manufacturer, Eurogentec SA in Liege, Belgium. With available funding, larger scale production systems can, based on current estimates, be available by October 2011.

Eurogentec was selected as the contract manufacturer of choice by Tissue Therapies during late 2009 from a short list of GMP companies following careful evaluation of the expertise and experience that Eurogentec's scientific and quality management staff offer. This assessment was conducted by Tissue Therapies' scientific, regulatory and quality management staff, on site, at Eurogentec and involved a detailed inspection of the Eurogentec manufacturing facilities.

In short, the Board believes VitroGro® represents a strong potential product opportunity particularly as there are currently no comparable treatments and a substantial unmet need. (Please see the Section Market Opportunity below.)

To meet this demand, the Company will need to further increase the scale of manufacturing and a detailed plan to achieve this has been finalised with the contract manufacturer, Eurogentec SA in Liege, Belgium. With available funding, larger scale production systems can be available by October 2011. Eurogentec was selected as the contract manufacturer of choice by Tissue Therapies during late 2009 from a short list of GMP companies, following careful evaluation of the expertise and experience that Eurogentec scientific and quality management staff offer. This was assessment was conducted by Tissue Therapies scientific, regulatory and quality management staff on site at Eurogentec and involved a detailed inspection of the manufacturing facilities.

Due to the high efficiency of VitroGro® and only a few micrograms being required for each dressing, this increase in scale is considered by the Board to be low risk. It will involve performing production at 350 litre scale instead of 100 litres as is currently used. These are modest size production systems for this type of protein production. Production of some protein health products (e.g. some antiviral vaccines) involves 20,000 litre systems.

The scale increase is also of limited risk because the expression system identified as optimal by Tissue Therapies scientists has been successfully used by Eurogentec hundreds of times previously for the production of pharmaceutical products. The contract manufacturer is expert in using this expression system and this was one of the factors that led Tissue Therapies to choose Eurogentec.

Finally, scale up risk is also considered low by the Board from the excellent manufacturing performance already delivered by Eurogentec. For further information on risks, please see section 4.

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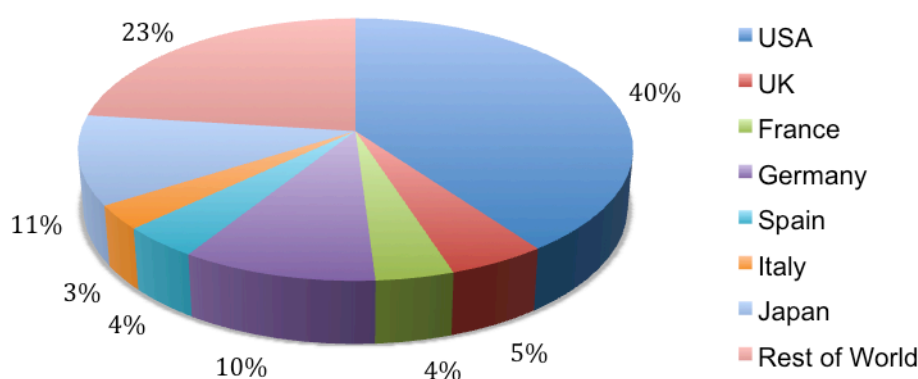
<sup>5</sup> Frost & Sullivan and Cancare Consultancy Services: Clinical Guide to Wound Care, 6th Ed. 2008, Hess CT, Lippincott, Williams & Wilkins

## 2.7 Market Opportunity

Tissue Therapies' ability to derive revenue is subject to factors noted below and the risks described in section 4. This section outlines market opportunity which has informed the strategy determined by the Board and the objectives stated in this Prospectus. Based on published data on the prevalence of diabetic, venous and pressure ulcers and its review of advice received, the Board has formed the view that the global market for chronic wound treatments is significantly larger than its previous estimates. There are however, no guarantees as to the actual size of the market for chronic wound treatments now or in the future or for the potential market for VitroGro®.

**Based on its review of Company advice, the Board estimates that by the end of the 2014 calendar year, the anticipated global market for the treatment of diabetic, venous and pressure ulcers could potentially exceed US\$30 billion.**

### World Advanced Wound Management Market<sup>6</sup>



#### The geographic breakdown of the global market for diabetic, venous and pressure ulcers.

The Company's ability to derive revenue from these sales will be contingent upon the volume of sales, the royalty rate it is able to negotiate with its partner and the cost of goods manufactured by the Company. There are risks associated with each of these factors, as outlined in section 4.

Further potential sales opportunities for VitroGro® exist in multiple applications and market segments including the treatment of acute wounds such as burns, surgical incisions, skin graft donor sites and acute wounds in at-risk patients e.g. diabetics. Pharmacy and consumer applications including minor wound dressings, creams and lotions are also targeted by Tissue Therapies for VitroGro® products. These are all in addition to the US\$1 billion per annum sales opportunity for the treatment of chronic skin ulcers.

Current treatments for diabetic, venous and pressure ulcers are costly and only moderately effective. Complete healing rates for diabetic, venous and pressure ulcers remain at approximately 25 – 50% following up to 20 weeks of treatment<sup>7,8,9</sup>. Up to 70% of all lower limb amputations in the world are related to diabetic ulcers. A lower limb is lost to diabetic ulcers every 30 seconds. This represents more than 1 million amputations globally each year.<sup>10</sup>

<sup>6</sup> Global Health Economic Projects and MedMarket Diligence available at <http://mediligence.com/blog/2009/10/21/global-wound-care-market-segmentation-drivers/>

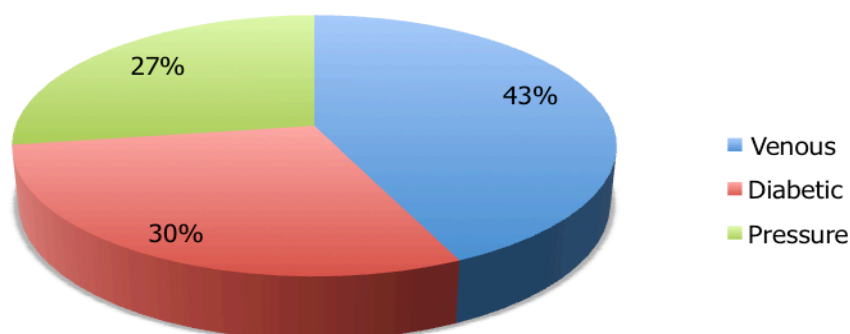
<sup>7</sup> Margolis, DJ, Allen-Taylor L, Hoffstad O, Berlin JA. Healing diabetic neuropathic foot ulcers: are we getting better? *Diabet Med*. 2005; 22 (2): 172-176

<sup>8</sup> Franks PJ, Moffatt CJ. Health related quality of life in patients with venous ulceration: use of the Nottingham health profile. *Qual Life Res*. 2001;10 (8): 693-700

<sup>9</sup> Diabetes in North America: millions of feet at risk of amputations. 65th Annual Sessions of the American Diabetes Association, International Diabetes Federation. San Diego, 11 June 2005

<sup>10</sup> Amos AF, McCarty DJ, Zimmet P "The rising global burden of diabetes and its complications." *Diabetes Med* 1997; 14 Suppl 5:S1-85

## Global Prevalence of Chronic Ulcers by Type<sup>11</sup>



### 2.8 Tissue Therapies Board and Advisors

#### *Chairman*

#### **Mr Roger Clarke**

Mr Clarke is a qualified accountant and holds a Bachelor of Commerce. He is the current chairman of the board of advice of RBS Morgans Limited. Mr Clarke is also chairman of NextDC Limited, Lodestone Energy Ltd and MTQ Insurance Limited and is a director of Trojan Equity Limited and Maverick Drilling and Exploration Limited. His former ASX entity directorships include PIPE Networks Limited and White Sands Petroleum Limited.

#### *Directors*

#### **Mr Mel Bridges**

Mr Bridges holds a Bachelor of Science (Chemistry) and is a fellow of the Australian Institute of Company Directors. He has extensive experience as a CEO and company director in Healthcare, Agricultural Technology, Drug Development, Pathology Diagnostics and Medical Devices and has related experience in retail. He has successfully raised in excess of \$300 million in investment capital in the healthcare/biotech sector and has been directly involved in over \$1 billion in M&A and related transactions. He currently holds the position of chairman of Alchemia Limited and ImpediMed Limited and is a director of Benitec Limited and Campbell Brothers Limited. Former ASX entity directorships include Incitive Limited, Peptech Limited and Genera Biosystems Limited.

#### **Mr Gregory Baynton**

Mr Baynton's qualifications include a Master of Business Administration, a Master of Economic Studies, a Post Graduate Diploma in Applied Finance and Investment and a Bachelor of Business. He is a fellow of the Financial Services Institute of Australia. Mr Baynton is an executive director of Orbit Capital Pty Ltd, Deputy Chairman of Lodestone Energy Limited and a non-executive director of NextDC Limited. He was formerly a director of ASX listed PIPE Networks Limited.

#### **Dr Cherrell Hirst AO**

Dr Hirst's qualifications include a Bachelor of Medicine, Bachelor of Surgery and a Bachelor of Education Studies. She also holds Honorary Doctorates from the Queensland University of Technology, Griffith University and Southern Cross University and is a fellow of the Australian Institute of Company Directors. Dr Hirst is the deputy chair and CEO (part-time) of Queensland Biocapital Funds and a director of Medibank Private Limited, Avant Mutual Group, Avant Insurance Limited, Impedimed Limited and Xenome Limited. She has a distinguished clinical career in the detection and treatment of breast cancer and extensive and respected achievements as director and

<sup>11</sup> MedMarket Diligence Report #S247 available at <http://mediligence.com>

chair of multiple commercial, government and not-for-profit organisations. Former ASX entity directorships include Peplin Inc. and Suncorp-Metway Limited.

#### **Dr Steven Mercer**

Dr Mercer holds a Bachelor of Medical Science and a Bachelor of Medicine, Bachelor of Surgery and is a registered medical practitioner. He is a fellow of the Australian Institute of Management and the Australian Institute of Company Directors. Dr Mercer has 20 years of medical and commercial experience, most recently as managing director of Mercy Tissue Engineering, a successful tissue engineering company. Prior to Tissue Therapies, he gained significant international experience following a successful career with multinational companies, including six years with Smith & Nephew as general manager, Smith & Nephew Surgical and seven years with IBM Health Industry Centre in Australia and New York.

*Chief Scientific Advisor*

#### **Professor Zee Upton**

Research Professor in Life Sciences and Leader of the Cell & Molecular Biosciences Discipline at the Institute of Health & Biomedical Innovation, (IHBI) Queensland University of Technology, Australia.

Professor Upton has a respected international scientific reputation as a world leader in tissue matrix proteins and wound repair. Following the awarding of her PhD in 1994 she was promoted unusually quickly to the position of full Professor and has authored more than 70 peer-reviewed scientific papers.

Following a profound set of discoveries in the areas of matrix proteins and tissue healing, Professor Upton invented the VitroGro® technology. She has won a large number of awards including the 2004 Queensland Government Research Scientist Smart State Award and the inaugural Smart State Senior Fellowship in 2006.

*Key Scientific Staff*

#### **Dr Gary Shooter – Senior Protein Scientist**

Dr Shooter is a highly respected protein scientist with both academic and commercial experience. He has overseen the formulation and contract manufacturing of VitroGro® since the formation of Tissue Therapies and is a senior member of the scientific team overseeing the ongoing research and development of VitroGro®.

#### **Dr Derek van Lonkhuyzen – Protein Scientist**

Dr van Lonkhuyzen is a Research Fellow within the Tissue Repair and Regeneration Program at the Institute of Health and Biomedical Innovation (IHBI) at QUT. He has worked closely with Dr Shooter from shortly after the formation of Tissue Therapies and was key to the successful production of the latest fusion protein formulations of VitroGro®.

#### **Mr Nigel Johnson – Operations Manager**

Mr Johnson manages the Company's manufacturing programs and regulatory systems. He has over 10 years experience in manufacturing bio-therapeutic goods. Mr Johnson held previous roles in tissue banking and engineering with Australian Red Cross Blood Service and Queensland Health.

*Company Secretary*

#### **Mr Drummond McKenzie - Chief Financial Officer and Company Secretary**

Mr McKenzie is a Fellow of the Institute of Chartered Accountants and Fellow of the Institute of Chartered Secretaries. He has over 15 years experience in the financial management and administration of companies in a range of industries including mining, financial services and biotechnology.

### *Advisors*

#### **Professor Keith Harding**, Cardiff University, United Kingdom

Professor Harding is widely considered to be the foremost wound healing clinician and researcher in the world today.

He graduated in medicine from the University of Birmingham before undertaking training in surgery and family medicine. In 1991 he became director of Wound Healing Research Unit at the University of Wales, College of Medicine in Cardiff.

Professor Harding is widely published and a prolific presenter at scientific and clinical wound care conferences, and has devised and managed many clinical wound care product trials for large international health care companies.

#### **Professor Robert Baxter**, Director, Kolling Institute, University of Sydney, Australia

Professor Baxter is recognised as a world expert in growth factor biology and has a substantial list of achievements in both academia and the commercial applications of cell biology. He has authored more than 250 peer reviewed, published science papers and is an inventor of 8 granted patents.

### *Consultants: Regulatory & Reimbursement*

#### **Mr Geoffrey Morris**, Princeton, New Jersey, United States of America

Mr Morris is assisting Tissue Therapies management with the current commercial partner negotiations. He has extensive international senior management experience in a number of large pharmaceutical and medical device healthcare companies and more recently, significant commercial consulting experience. He also has extensive expertise in international wound healing and oncology markets.

#### **Dr Robert Polster**, LLC, New Brunswick, New Jersey, United States of America

Dr Robert Polster, the President of Strategic Operations Management is coordinating the FDA regulatory approval process for VitroGro® in the US. He has more than 25 years experience in all aspects of senior management in the pharmaceutical and medical device industry, including extensive experience in regulatory affairs.

#### **Ms Patsy Trisler**, New Brunswick, New Jersey, United States of America

Ms Trisler is coordinating the FDA regulatory approval process in cooperation with Strategic Operations Management and is also consulting independently to Tissue Therapies on broader regulatory, clinical trial and reimbursement issues.

She has more than 23 years experience in regulatory affairs and clinical study compliance and has worked for the FDA Centre for Devices and Radiologic Health (CDRH), the part of the FDA that handles approvals for medical devices.

#### **Mr Ron Shannon**, New York, New York, United States of America

Under the leadership of the President, Mr Ron Shannon, Global Health Economics has been appointed to provide to the Board advice on epidemiologic based data and information on the global market for advanced wound care products.

Mr Shannon is an experienced health economist and epidemiologist with more than 25 years experience in senior industry and consulting positions.

#### **Ms Helen Greenwood**, London, United Kingdom

Ms Greenwood is assisting Tissue Therapies management with the preparation and submission of the EU approval of VitroGro® for treatment of venous, diabetic and pressure ulcers. She also managed the finalisation and submission of the successful EU application for the multi-centre clinical trial that is currently underway.

Ms Greenwood has more than 20 years regulatory affairs experience in the UK and EU within large international healthcare companies and subsequently as a consultant. She consults widely to a range of healthcare companies.

### 3 Purpose and effect of the Offer and Placement

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#### 3.1 Purpose of the Offer and Placement

The purpose of the Offer and Placement is to raise funds primarily to fund:

- Larger Scale Manufacturing
- Regulatory and Reimbursement Approvals
- Acceleration of pipeline technology product development
- Operating expenditure

<b>Estimated Use of Funds</b>	<b>\$ 000's</b>
Larger Scale Manufacturing	7,300
Regulatory and Reimbursement Approvals	3,377
Acceleration of pipeline technology product development	1,202
Operating expenditure	2,379
Costs of the Offer and Placement	855
<b>Total</b>	<b>15,113</b>

#### 3.2 Effect on the Company's financial position

The unaudited pro forma balance sheet of Tissue Therapies is set out below as at 31 December 2010. It contains adjustments for the impact of the Placement and Offer on the Company's financial position after estimated capital raising costs. As there have been no significant transactions since 31 December 2010 other than the Placement, the 31 December 2010 balance sheet, adjusted for the impact of the Placement, has been used as an appropriate reference point for the pro forma balance sheet.

	<b>30 June 2010</b>	<b>31 December 2010</b>	<b>Placement</b>	<b>Rights Issue</b>	<b>Pro forma</b>
	<b>Audited</b>	<b>Reviewed</b>			
	<b>\$ 000's</b>	<b>\$ 000's</b>	<b>\$ 000's</b>	<b>\$ 000's</b>	<b>\$ 000's</b>
<b>Current Assets</b>					
Cash and cash equivalents	5,500	3,174	5,462	8,796	17,432
Trade and other receivables	242	52	-	-	52
Inventories	336	378	-	-	378
Current tax assets	190	106	-	-	106
Other assets	740	63	-	-	63
<b>Total Current Assets</b>	<b>7,008</b>	<b>3,773</b>	<b>5,462</b>	<b>8,796</b>	<b>18,031</b>
<b>Non-Current Assets</b>					
Inventories	1,043	869	-	-	869
Property, plant and equipment	105	93	-	-	93
Intangible assets	342	342	-	-	342
<b>Total Non-Current Assets</b>	<b>1,490</b>	<b>1,304</b>	<b>-</b>	<b>-</b>	<b>1,304</b>
<b>Total Assets</b>	<b>8,498</b>	<b>5,077</b>	<b>5,462</b>	<b>8,796</b>	<b>19,335</b>
<b>Current Liabilities</b>					
Trade and other payables	556	406	-	-	406
<b>Total Current Liabilities</b>	<b>556</b>	<b>406</b>	<b>-</b>	<b>-</b>	<b>406</b>
<b>Total Liabilities</b>	<b>556</b>	<b>406</b>	<b>-</b>	<b>-</b>	<b>406</b>
<b>Net Assets</b>	<b>7,942</b>	<b>4,671</b>	<b>5,462</b>	<b>8,796</b>	<b>18,929</b>
<b>Equity</b>					
Contributed equity	25,277	25,292	5,462	8,796	39,550
Option reserve	173	209	-	-	209
Accumulated losses	(17,508)	(20,830)	-	-	(20,830)
<b>Total Equity</b>	<b>7,942</b>	<b>4,671</b>	<b>5,577</b>	<b>8,796</b>	<b>18,929</b>

#### Notes to the pro forma balance sheet

The pro forma balance sheet has been prepared on the basis that the following transactions occurred as at 31 December 2010:

Material *transactions since 31 December 2010*:

- the issue of 11,500,000 New Shares arising from the Placement raising of \$5,750,000; and
- the payment of expenses relating to the Placement, estimated at \$287,500 (GST inclusive).

*Transactions contemplated by the Prospectus:*

- the issue of 18,725,181 New Shares under the renounceable pro rata issue to Shareholders on a 1 for 8 basis to raise \$9,362,590; and
- the payment of expenses of the Offer, estimated at \$567,130 (GST inclusive).

## Cash

The pro forma consolidated cash balance has been calculated after the following pro forma transactions:

	<b>\$ 000's</b>
Cash as at 31 December 2010	3,174
Placement proceeds	5,750
Expenses of the Placement	(288)
Gross proceeds of the Offer	9,363
Costs of the Offer	(567)
<b>Pro forma cash balance</b>	<b><u>17,432</u></b>

### 3.3 Effect on capital structure

The effect of the Offer and Placement on the capital structure of Tissue Therapies is set out in section 1.1.

### 3.4 Options on issue

The following Options are currently on issue:

Category	Number	Exercise Price	Lapse Date
<b>Exercisable at Record Date</b>			
Employee Share Option Plan	1,250,000	26c	31 March 2012
Directors	50,000	64c	19 November 2011
	40,000	64c	15 July 2012
	25,000	15c	15 July 2012
	25,000	15c	11 January 2013
	750,000	26c	31 October 2012
<b>Subtotal</b>	<b>2,140,000</b>		
<b>Not exercisable at Record Date (28 April 2011<sup>1</sup>)</b>			
Employee Share Option Plan	-		
Directors	140,000	64c	2 years from achievement of milestones by CEO
	175,000	15c	2 years from achievement of milestones by CEO
<b>Subtotal</b>	<b>315,000</b>		
<b>Total Options on issue</b>	<b>2,455,000</b>		

<sup>1</sup> It is an exercise condition of these Options that the exercise price is less than the Share price on the exercise date.

Assuming all of the Options exercisable at the Record Date were to be exercised, this exercise would result in the receipt of \$585,100 by the Company in relation to those Options. If the holders of the Options then took up their entitlements under the Offer, an additional 267,500 New Shares would be issued, raising up to an additional \$133,750. The total number of issued shares in the Company would then be up to 170,934,128 Shares. Any additional funds raised from the exercise of Options or the take up of relevant Entitlements will be applied to the general working capital of the Company.

## 4 Principal risk factors

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### 4.1 Introduction

This section identifies the areas that are believed by the Board to be the major risks associated with an investment in Tissue Therapies.

The Tissue Therapies business is subject to risk factors, both specific to its business activities and of a general nature. Individually, or in combination, these might affect the future operating performance of Tissue Therapies and the value of a further investment in the Company. There can be no guarantee that Tissue Therapies will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate. An investment in the Company should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if it eventuates, have a material adverse impact on Tissue Therapies' operating performance and profits, and the market price of the Shares.

Before deciding to take up their Entitlement in the Company, Shareholders should:

- (a) read the entire Prospectus;
- (b) consider the assumptions underlying the Directors' forecasts, the sensitivity analysis and the risk factors that could affect the financial performance of Tissue Therapies;
- (c) review these factors in light of their personal circumstances; and
- (d) seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

### 4.2 General market risks

#### Share market investments

Like the shares of all ASX listed companies, Tissue Therapies' Share price might rise or fall and they might trade at prices below or above the Offer Price. There can be no assurance that an active trading market will always exist for the Shares.

Factors affecting the price at which the Shares are traded on ASX could include domestic and international economic conditions. In addition, the prices of many listed entities' securities are affected by factors that might be unrelated to the operating performance of the relevant company, including for example exchange rates and investor sentiment. These fluctuations and factors might adversely affect the price of the Shares. These risks apply generally to any investment in the stock market.

#### General economic conditions

Tissue Therapies' operating and financial performance is influenced by a variety of general economic and business conditions, both domestic and global, including the level of inflation, commodity prices, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates or a sudden unexpected change (or 'shock') in economic conditions, could be expected to have a corresponding adverse impact on the Company's operating and financial performance.

#### Accounting Standards

Australian accounting standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the Directors' and Tissue Therapies' control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in Tissue Therapies' financial statements.

#### Taxation risks

A change to the current taxation regime in Australia or overseas may affect Tissue Therapies and its Shareholders. Personal tax liabilities are the responsibility of each individual investor. Tissue Therapies is not responsible for either taxation or penalties incurred by investors.

## 4.3 Specific risks

### Clinical Trial Risk

Tissue Therapies' ability to achieve profitability is dependent on a number of factors, including its ability to complete successful clinical trials, obtain regulatory approval for its product candidates, and successfully commercialise those product candidates or technologies or that commercially attractive markets will remain available to the Company.

The development of biomedical therapies is inherently risky and subject to factors beyond the Company's control. The industry is highly regulated, subject to intense competition and reliant on the timely availability of clinical trial patients. Tissue Therapies may be unable to secure necessary approvals from regulatory agencies and institutional bodies (clinics and hospitals) to conduct clinical trials. There is also no assurance that products developed using Tissue Therapies' technology will prove to be safe and efficacious in clinical trials, or that the regulatory approval to manufacture and market its products will be received. Clinical trials might also potentially expose Tissue Therapies to product liability claims in the event its products in development have unexpected effects on clinical subjects.

To the extent it is available on reasonable terms, Tissue Therapies intends to maintain clinical trial insurance, however there is no guarantee such insurance will be held valid or be sufficient to cover any liability which may arise.

Tissue Therapies has commenced clinical trials as discussed in section 2. These trials have many associated risks which may impact the Company's profitability and future productions and commercially potential. They may prove unsuccessful or non efficacious, impracticable or costly. The clinical trials could be terminated which will likely have a significant adverse affect on the Company, the value of its securities and the future commercial development of VitroGro®.

### Regulatory and reimbursement approvals

The research, development, manufacture, marketing and sale of products using Tissue Therapies' technology are subject to varying degrees of regulation by a number of government authorities in Australia and overseas including but not limited to the FDA.

Therapeutic products developed using Tissue Therapies' technology must undergo a comprehensive and highly regulated development and review process before receiving approval for marketing. The process includes the provision of clinical data relating to the quality, safety and efficacy of the products for their proposed use.

Products may also be submitted for reimbursement approval as described in section 2 of this Prospectus. The availability and timing of that reimbursement approval may have an impact upon the uptake and profitability of products in some jurisdictions.

Furthermore, any of the products utilising Tissue Therapies' technology may be shown to be unsafe, non-efficacious, difficult or impossible to manufacture on a large scale, uneconomical to market, compete with superior products marketed by third parties or not be as attractive as alternative treatments.

### Risk of delay

The Company may experience delay in achieving a number of critical milestones, including securing a commercial partner, completion of clinical trials, obtaining regulatory or reimbursement approvals, manufacturing, product launch and sales. In particular, the regulatory classification of the Company's leading product as a device or drug, may impact significantly upon timelines. Any material delays may impact adversely upon the Company, including the timing of any revenues under milestone or sales payments.

### Commercialisation of products

Tissue Therapies has not yet commercialised its technology (except for cell culture products) and as yet has no material revenues. There is no assurance that Tissue Therapies will generate significant revenues or that Tissue Therapies will ever achieve profitability.

There is no assurance that Tissue Therapies will attract and retain appropriate strategic partners or that any such partners will perform and meet commercialisation goals or make licensing payments.

### **Tissue Therapies may need to raise additional funds**

The Company may be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise that capital when it is required or that the terms associated with raising that capital will be satisfactory to the Company. If Tissue Therapies is unsuccessful in obtaining funds when they are required, Tissue Therapies may need to delay or eliminate its research and development, commercialisation or manufacturing activities, or other aspects of its business; have to license or sell its technologies on unfavourable terms; or scale down or cease operations. If Tissue Therapies raises funds by issuing Shares or borrowing, the terms may not be favourable and may dilute the ownership of its Shareholders.

### **Commercial, manufacturing and distribution capability**

Tissue Therapies' ultimate success is dependent upon its ability, and or that of its commercial partners, to manufacture its products on a commercial scale, with continuity of supply and in accordance with current Good Manufacturing Practices, prescribed by the TGA and other regulatory authorities. In the event that the Company or any one or more of Tissue Therapies' commercial partners discontinue operations for any reason, this may result in substantial cost and delay.

Delays and difficulties in the manufacture of products for trials or commercial purposes or with packagers or distributors could delay market introduction and subsequent sales of Tissue Therapies' products. More particularly, any contamination or other failure in the manufacture of the compounds that are supplied or subsequently manufactured could result in delay, increased costs, exposure to liability for breach of obligations as well as regulatory and statutory standards, loss of funding and / or regulatory approval.

The inability of Tissue Therapies to scale up and maintain production within the estimated timeframe may potentially result in an adverse financial impact for the Company both in the short and medium term.

Any one of these potential risks could have a material adverse impact on Tissue Therapies.

### **Dependence on commercial partnering**

Tissue Therapies will need to enter into one or more commercial partnering agreements to launch the marketing and sales of its lead products as described in this Prospectus. These agreements may require Tissue Therapies' or its partners to undertake or fund certain R&D activities, make payments on achievement of certain milestones and pay royalties or make profit-sharing payments when and if a product is sold. As such, these agreements will be critical to Tissue Therapies' ability to derive revenue and the timing of those revenues.

In particular, Tissue Therapies may seek to enter into an arrangement with respect to the further marketing and sale of VitroGro® technologies in the treatment of diabetic and venous ulcers. There is no guarantee that Tissue Therapies will be able to find a suitable industry partner, or if it is able to find a suitable industry partner, that it can negotiate attractive commercial terms.

The success of Tissue Therapies' partnering arrangements may depend on the resources devoted to them by itself or its industry partner(s). Collaborative agreements may be terminable by Tissue Therapies' partner(s). Non-performance, suspension or termination of agreements is likely to have a material and adverse impact on Tissue Therapies' business, financial condition and results of operations.

### **Relationship with QUT**

Under its R&D Agreement with QUT, Tissue Therapies must not engage anyone other than QUT to conduct research projects using the licensed patents unless it cannot reach agreement with QUT within 30 days regarding the terms on which a particular R&D project will be conducted. If Tissue Therapies subsequently offers to engage a third party to conduct an R&D project using the licensed patents, that offer must not be on terms that are more favourable than those offered to QUT. This may affect the ability of Tissue Therapies to conduct R&D on a commercially competitive basis.

## **Retention of key personnel and contract researchers**

Because of the specialised nature of Tissue Therapies' business, Tissue Therapies is highly dependent upon qualified, scientific, technical and managerial personnel. There is significant competition for qualified personnel in Tissue Therapies' business.

Tissue Therapies and its collaborators may not be able to attract and retain the qualified personnel necessary for the development of its business. The loss of the services of existing personnel, as well as the failure to recruit additional key scientific, technical, managerial and other personnel in a timely manner could harm Tissue Therapies' R&D programs and its business.

## **Intellectual property**

While Tissue Therapies has an exclusive licence to commercialise the licensed patents from QUT, it does not own the licensed patents until the preconditions for the intellectual property assignment have been satisfied. Tissue Therapies' right to use the licensed patents to carry out its business activities may be terminated if Tissue Therapies breaches the terms of the licence agreement prior to the intellectual property assignment.

Australian Red Cross Blood Services has a non-exclusive licence from QUT to use certain products (which incorporate some of the original patented technology) to assist in the treatment of burns patients. This licence is for non-commercial purposes and does not impinge upon Tissue Therapies' current objectives in relation to diabetic and venous ulcer wound care.

Tissue Therapies' success will depend in part on the ability to obtain commercially valuable patent claims and to protect its intellectual property. Accordingly, Tissue Therapies and its research partners face the following risks and uncertainties with respect to the licensed patents and any other patents subsequently licensed or issued to Tissue Therapies:

- the licensed patents may not result in issued patents or may take longer than expected for patents to issue
- the claims of any patents that are issued from the licensed patents may not provide meaningful protection
- Tissue Therapies and its research partners may not be able to develop additional proprietary technologies that are patentable
- the licensed patents and any other patents subsequently licensed or issued to Tissue Therapies or its industry partners may not provide a competitive advantage
- other companies may challenge the licensed patents and any other patents subsequently licensed or issued to Tissue Therapies or its industry partners
- other companies may independently develop similar or alternative technologies, to those of Tissue Therapies or duplicate Tissue Therapies' technology
- other companies may design around technologies Tissue Therapies has licensed or developed
- if letters patent do not issue in respect of a licensed patent, then the value of Tissue Therapies' intellectual property rights may be significantly diminished. Further, any information contained in the licensed patents will become part of the public domain, so that it will not be protected as confidential information

As legal regulations and standards relating to the validity and scope of patents continue to evolve, the degree of future protection for Tissue Therapies' proprietary rights is uncertain.

Tissue Therapies may incur substantial costs in asserting any patent or intellectual property rights and in defending legal action against it relating to intellectual property rights. Such disputes could substantially delay Tissue Therapies' product development or commercialisation activities.

QUT has agreed to assign the intellectual property to Tissue Therapies pursuant to a Deed of Assignment of intellectual property rights for \$100,000 subject to achievement of only two remaining milestones, being certain preconditions regarding its level of cash reserves and the Company's Share price. There is no guarantee of the preconditions being met in the short-term, or at all. In addition to the licensed patents, Tissue Therapies depends upon trade secrets and proprietary know-how to protect its proprietary technology. Any agreements between Tissue Therapies and its employees

and consultants may not provide adequate protection for Tissue Therapies' trade secrets, know-how, or other proprietary information in the event of any unauthorised use or disclosure.

Tissue Therapies has registered 'VibroGro' as a trade mark in Australia and other jurisdictions in respect of its products. As trade mark registration is on a national basis, registration of 'VibroGro' as a trade mark in the jurisdictions in which it is registered will not give Tissue Therapies exclusive rights in those marks outside of those jurisdictions.

Tissue Therapies may from time to time need to acquire or licence intellectual property from third parties to develop and commercialise its own suite of intellectual property and products. There is no guarantee such acquisition or licence can be obtained or, if obtained, that it will be on reasonable commercial terms.

### **Grant funding**

Tissue Therapies and its partners may from time to time receive government grants. These grant monies are typically payable on achievement of certain scientific and commercial milestones. If those milestones are not achieved, grant monies may be suspended. Tissue Therapies may also be required to repay some or all of the grant monies if it breaches the terms of the grant, or if it obtains additional funding for the funded activities from other sources, and in other circumstances. The laws and policies that apply to grant funding are constantly under review. If these laws and policies change, then Tissue Therapies' access to grant funding may be reduced or cease.

### **Competition**

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Tissue Therapies' products may compete with existing alternative treatments that are already available to customers. In addition, a number of companies, both in Australia and abroad, may be pursuing the development of products that target the same conditions that Tissue Therapies is targeting. Some of these companies may have, or develop, technologies superior to Tissue Therapies' own technology.

Some competitors of Tissue Therapies may have substantially greater financial, technical and human resources than Tissue Therapies. In addition, academic institutions, government agencies, and other public and private organisations conducting research may seek intellectual property protection with respect to potentially competitive products or technologies. These organisations may also establish exclusive collaborative or licensing relationships with Tissue Therapies' competitors. Tissue Therapies is also dependent upon its ability and the ability of third party collaborators or licensees, to sell and market its products and to develop and commercialise products based on Tissue Therapies' technology.

### **Legislation, regulation and tenure**

The Company's activities in the biomedical industry are subject to legislation, regulations and approvals. The impact of existing or new laws, or their interpretation in the courts, could have a material adverse effect on the Company. Further, the Company will, from time to time, require various government regulatory approvals for its operations and must comply with those laws. There is a risk of delay, increased cost or failure to get those approvals.

### **Litigation**

There is a risk that the Company may in future be the subject of or required to commence litigation. There is, however, no litigation currently underway or threatened.

## 5 Action required by Eligible Shareholders

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### **Important notice**

The Offer is non-renounceable which means that if Eligible Shareholders do not take up all of their Entitlement, their unaccepted Entitlement will lapse. Eligible Shareholders wishing to participate should accept their Entitlement, either in whole or in part, as outlined below.

Eligible Shareholders do not need to take up their full Entitlement, although their proportional interest in the Company (and rights to future earnings and net assets of the Company) will be diluted if they choose not to do so. Eligible Shareholders who do take up their Entitlements may be diluted to the extent that participants in the Placement become Eligible Shareholders and take up their Entitlements under this Offer.

### **5.1 New Share Entitlement**

All persons registered as Eligible Shareholders at 7.00pm (AEST) on 28 April 2011 (which may include persons who participated in the Placement) will receive an Entitlement of 1 New Share for every 8 Existing Shares held on that date. The number of New Shares to which you are entitled is shown on the Entitlement and Acceptance Form accompanying this Prospectus.

### **5.2 Offer Price**

The Offer Price of New Shares is \$0.50 per New Share which is the same price at which the Placement Shares were offered under the Placement.

### **5.3 Entitlement and Acceptance Form**

The Prospectus accompanied by Entitlement and Acceptance Forms will be despatched to Eligible Shareholders by no later than 29 April 2011.

As the Offer is non-renounceable, Shareholders do not have the right to sell their Entitlements.

The maximum number of New Shares which you are entitled to receive is set out on the Entitlement and Acceptance Form. Eligible Shareholders have the opportunity to subscribe for all, part or none of their Entitlement to New Shares. In addition, you may apply for Top-Up Shares.

### **5.4 Closing Date**

The Offer will close at 5.00pm (AEST) on 19 May 2011, subject to the right of the Company in consultation with the Underwriter to extend the Closing Date.

### **5.5 Application for Top-Up Shares beyond your Entitlement**

New Shares not taken up by Shareholders under their Entitlement will comprise the Top-Up Shares. Eligible Shareholders may in addition to their Entitlement, apply for any number of Top-Up Shares, regardless of the size of their present holding.

For example, if a Shareholder owns 8,000 Existing Shares, the Shareholder will be entitled to apply for 1,000 New Shares under the Offer. That Shareholder may wish to apply for Top-Up Shares to increase their holding. While there is no limitation on any Eligible Shareholder applying for Top-Up Shares, for applications exceeding the total number of New Shares available, the Directors will exercise their absolute discretion about the allocation of Top-Up Shares. They will however seek where possible to permit smaller Shareholders to increase their holding.

It is possible that there will be few or no Top-Up Shares available. It is an express term that Applicants are bound to accept a lesser number of Top-Up Shares allotted to them than applied

for and Applicants are bound to accept a refund of money for the number of Top-Up Shares that may have been applied for.

No interest will be paid on any money refunded to Applicants in these circumstances.

## **5.6 Shareholders outside Australia and New Zealand**

The Company will only extend the Offer to Eligible Shareholders with registered addresses in Australia or New Zealand. The Company considers it would be unreasonable to extend the Offer to Shareholders with registered addresses in other jurisdictions having regard to the small number of those Shareholders, the small number and value of securities that would be offered in those jurisdictions and the costs of complying with legal and regulatory requirements in those jurisdictions.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

## **5.7 Allotment of New Shares**

Tissue Therapies will make application within seven days from the date of this Prospectus for quotation of the New Shares on ASX.

It is expected that allotment of the New Shares will take place no more than 15 Business Days after the close of the Offer.

If approval of ASX to the official quotation of the New Shares is not obtained within three months after the date of this Prospectus, all Application Money will be repaid, without interest, in accordance with the Corporations Act.

Application Money will be held by the Company on trust for Applicants in a trust account until the New Shares are allotted. No interest will be paid on Application Money.

## **5.8 CHESS**

The Company will apply to have the New Shares issued under this Prospectus admitted to participate in CHESS in accordance with the Listing Rules and the ASTC settlement rules. The Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the principal register of New Shares.

Certificates for the New Shares will not be issued. New Shareholders who elect to hold New Shares on the issuer-sponsored sub-register will be given a transaction confirmation statement which will set out the number of New Shares allotted to each Shareholder under this Prospectus. For Shareholders who elect to hold their New Shares on the CHESS sub-register, the Company will, on the allotment of New Shares under this Prospectus, issue advice to those Shareholders which sets out the number of New Shares allotted to the Shareholder under this Prospectus, and at the end of the month in which the allotment occurs, ASTC, on behalf of the Company, will give the Shareholders a CHESS transaction confirmation statement confirming the number of New Shares allotted.

A transaction confirmation statement (whether issued by ASTC or the Company) will also give details of the Shareholder's holder identification number (for holdings on the CHESS sub-register) and the security holder reference number (for holdings on the issuer-sponsored sub-register). After these initial transaction confirmation statements have been distributed to all Shareholders, a transaction confirmation statement will only be given to the Shareholder at the end of any subsequent month during which the balance of the Shareholder's holding of New Shares has changed.

## 5.9 Brokerage and stamp duty

No brokerage or stamp duty is payable by Applicants in relation to the Offer. However, you may have to pay brokerage on any subsequent trading of your New Shares on ASX after they have been quoted on ASX.

## 5.10 Handling fee

The Underwriter will pay a handling fee to the ASX participating organisations of 1.5% of the value of all stamped Entitlement and Acceptance Forms accepted through CHESS, capped at \$300 per Applicant.

## 5.11 Action required

### **If you wish to take up all of your Entitlement or apply for Top-Up Shares**

Complete the accompanying personalised Entitlement and Acceptance Form in accordance with the instructions on the form. If you have applied to take up all of your Entitlement to New Shares, you may apply for Top-Up Shares by completing the relevant section on the Entitlement and Acceptance Form.

Forward your completed Entitlement and Acceptance Form together with your cheque or bank draft for the amount shown on the form, to the following address to be received **no later than 5.00pm (AEST) on 19 May 2011:**

By hand:

OR

By post:

Link Market Services Limited  
Level 15, 324 Queen Street  
Brisbane QLD 4000

Link Market Services Limited  
Locked Bag 3415  
Brisbane QLD 4001

**Cheques should be made payable to 'Tissue Therapies Limited - Share Offer' and crossed 'Not Negotiable'**

**BPay option – Alternatively you can pay the application money using BPay in accordance with the instructions on the Entitlement and Acceptance Form accompanying this Prospectus. If you do so you do not need to complete and return the form.**

The deadline for acceptances (and cleared funds if paid by BPay) is 5.00pm (AEST) on 19 May 2011.

## 5.12 Entitlements not accepted

If you decide not to accept all or part of your Entitlement, your unaccepted Entitlement will lapse. It is important that you take action to accept your Entitlement, if you intend to do so, in accordance with the above instructions to avoid it lapsing and your shareholding being diluted by the issue of New Shares (including where existing Options are exercised by the Record Date and additional Entitlements exist and are taken up) under the Offer.

## 5.13 Payment

Payments will only be accepted in Australian dollars as follows:

- (a) cheques drawn on and payable by any Australian bank; or
- (b) BPay as described in section 5.11.

Other currency will not be accepted. Eligible Shareholders should not forward cash. Receipts for payments will not be issued.

#### **5.14 Application Money on trust**

All Application Monies received before the New Shares are issued will be held by Tissue Therapies on trust in an account established solely for the purpose of depositing Application Monies received. No interest accrues in that account. After the New Shares are issued to successful Applicants, the Application Monies held on trust will be payable to Tissue Therapies.

#### **5.15 Taxation considerations**

##### **General**

It is the responsibility of all Shareholders to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before taking up their Entitlement. Taxation consequences will depend on particular circumstances. Eligible Shareholders should seek their own professional taxation advice. The following is a summary of the key Australian tax issues associated the Offer. The comments are general in nature only and are limited to Shareholders who hold their Existing Shares on capital account and are Australian residents for income tax purposes.

Neither the Company nor any of its officers, employees, agents and advisers accepts any liability or responsibility for taxation consequences connected with an investment in New Shares of the Company.

##### **Entitlements not taken up**

As the Entitlements are not tradeable and are non-renounceable such that no compensation will be paid if the Entitlement is allowed to lapse, a shareholder should not have a tax consequence for not taking up their Entitlement. The Australian Taxation Office position in Draft Taxation Ruling TR 2010/D8 which deals with retain premiums paid to shareholders should not be applicable.

##### **Taking up Entitlements**

No tax issues should arise on taking up of the Entitlements.

##### **New Shares**

The tax cost base of the New Shares will equal the Offer Price plus any non-deductible cost of acquisition.

Any dividends received in respect of the New Shares and any disposal of the New Shares should be subject to the same tax issues as the Existing Shares.

##### **Taxation of financial arrangements**

Recent amendments to the Australian income tax law introduced Division 230 *Income Tax Assessment Act 1997* which deals with the taxation of financial arrangements (**TOFA rules**). The rules operate to recognise gains as assessable and losses as deductible arising from financial arrangements as defined. The rules specifically disregard any capital or revenue distinction in respect of the financial arrangements that are caught.

The TOFA rules apply from 1 July 2010 subject to certain elections being made for an earlier application date.

It is expected that the Entitlement under the Offer will be a financial arrangement under the TOFA rules. However, there are a number of exceptions to the TOFA rules applying which are based on the specific character and circumstances of the taxpayer (including individuals).

Given that the possible application of the TOFA rules is dependent on the specific facts and circumstances of a taxpayer, each Shareholder should obtain their own specific advice as to the possible application of the TOFA rules to the Shareholder's specific arrangements.

#### **5.16 Enquiries**

If you have any questions concerning your Entitlement, you should contact Link Market Services Limited on 1300 551 756 (within Australia) or +61 2 8280 7782 (outside Australia), or your stockbroker, financial or other professional adviser.

## 6 Material agreements

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### 6.1 Continuous reporting and disclosure obligations

This Prospectus is issued according to section 713 Corporations Act as a prospectus for the offer of continuously quoted securities.

The Company is a 'disclosing entity' for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Tissue Therapies is subject to the Listing Rules which require continuous disclosure of any information the Company has to ASX which a reasonable person would expect to have a material effect on the price or value of its Shares.

Copies of ASX announcements are available on the ASX website or the Company's website at [www.tissuetherapies.com](http://www.tissuetherapies.com).

In addition, copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The Company will provide free of charge, to any person who requests it during the application period under this Prospectus, a copy of the Annual Report or the Half Yearly Report and any continuous disclosure notices lodged by the Company from 31 December 2010 to the date of this Prospectus. The information in the Annual Report, the Half Yearly Report and the continuous disclosure notices may be of interest to investors and their financial advisers.

The Directors rely upon section 712(3) Corporations Act with the inclusion by reference of material referred to above for full disclosure of relevant information to Shareholders for the purposes of section 711 Corporations Act, including the nature and extent of any directors' interests or of persons identified in section 711(4) Corporations Act.

Company announcements since 31 December 2010 to the date of this Prospectus:

Date	Announcements
13.04.2011	Trading Halt
09.02.2011	Appendix 4D Half Yearly Report and Accounts
28.01.2011	Tissue Therapies Updated Share Trading Policy
27.01.2011	Response to ASX Query re Price
21.01.2011	Appendix 4C Quarterly Report

### 6.2 Key documents

The following is a summary of the agreements material to the Offer.

#### Underwriting Agreement

The Company and the Underwriter, RBS Morgans Corporate Limited, have entered into an underwriting agreement dated 14 April 2011 (**Underwriting Agreement**). The Underwriting Agreement reflects the entire understanding of the parties regarding the underwriting of the Offer.

#### Underwriting

The Company appoints the Underwriter to fully underwrite the subscription of 18 million New Shares (**Underwritten Shares**) under the Offer. The Underwriter may appoint sub-underwriters to underwrite all or any of the Underwritten Shares.

In addition, the terms of the Underwriting Agreement acknowledge the appointment of the Underwriter to manage the Placement.

### **Applications and allotment**

The Offer and allotment of Shares must be carried out as required by the timetable, the Prospectus, the Corporations Act, the Listing Rules, the constitution of the Company and any other applicable law.

### **Payments**

The Company must pay to the Underwriter a management commission of 1% and an underwriting commission of 4% of the proceeds of the Offer.

The Company has agreed to pay the Underwriter for certain agreed costs and expenses incurred by the Underwriter in relation to the Offer.

In addition, the Company must pay the Underwriter a selling commission of 5% of the proceeds of the Placement, being the fee agreed for the Underwriter to manage the Placement.

### **Termination events**

The Underwriter may terminate the Underwriting Agreement by notice to the Company at any time before the Company has allotted the underwritten Shares, if the Underwriter becomes aware of the happening of any one or more of the following events:

**(S&P/ASX 200 Index fall)** the S&P/ASX 200 Index is at any time before the allotment date more than 10% below the level of that Index at the close of normal trading on the trading day before the date of signing the Underwriting Agreement;

**(Change in Law)** the introduction of legislation into the parliament of the Commonwealth of Australia or of any State or Territory of Australia or the public announcement of prospective legislation, or policy by the Federal Government or the Government of any State or Territory, or the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy, which does or is likely to prohibit, restrict or regulate the Offer or materially reduce the level or likely level of Valid Applications;

**(Quotation)** ASX makes an official statement to any person, or indicates to the Company or the Underwriter that official quotation of the New Shares on ASX, will not be given or approval for official quotation of the New Shares has not been given before the Closing Date;

**(Insolvency Event)** an insolvency event occurs with respect to the Company;

**(Withdrawal of applications)** any circumstance arises which results in the Company being required to offer applicants an opportunity to withdraw their applications for Shares and be repaid their Application Monies;

**(Repayment)** any circumstance arises that results in the Company being required to repay the Application Money;

**(Offer Document)** any adverse new circumstance arises or becomes known which, if known at the time of issue of any of the Prospectus, would have been included in the Prospectus, or the Prospectus is or becomes false, misleading or deceptive (including by way of omission), or the Prospectus otherwise does not comply with the Corporations Act, Listing Rules or any other applicable laws or a person gives a notice under section 730 of the Corporations Act in relation to the Prospectus;

**(Withdrawal of consent)** a person (other than the Underwriter) who consented to being named in the Prospectus withdraws that consent;

**(Certificate)** a certificate which is required to be provided by the Company under the Underwriting Agreement is not provided by the relevant time or a statement in that certificate is untrue, incorrect or misleading or deceptive;

**(ASIC action)** ASIC applies for an order under Part 9.5 of the Corporations Act in relation to the Offer or the Prospectus, or holds, or gives notice of intention to hold, a hearing or investigation in relation to the Offer, or commences proceedings against the Company or the Directors which is made public and is not withdrawn before the earlier of two Business Days or the Business Day before allotment;

**(Withdrawal)** the Company withdraws the Offer or the invitations to apply for New Shares under the Prospectus;

**(Listing)** the Company ceases to be admitted to the official list;

**(Suspension)** trading in Shares on ASX is suspended (other than with the prior written consent of the Underwriter), or the Shares cease to be officially quoted on ASX;

**(Material Adverse Change)** any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company including, any change in the earnings, future prospects or forecasts of the Company or any change in the nature of the business conducted by the Company;

**(Material contract)** any material contract to which the Company is a party is terminated or materially amended or any person materially breaches a material contract;

**(Regulatory action)** a Director or any officer is charged with a criminal offence relating to any financial or corporate matter, dies or becomes permanently incapacitated, is disqualified under the Corporations Act from managing a corporation, or become the subject of any investigation, public action or hearing against the Company or them which is publicly announced;

**(Prescribed occurrence)** an event specified in section 652C(1) or section 652C(2) of the Corporations Act (but replacing 'target' with 'Company') occurs;

**(Timetable)** Any event specified in the Timetable is delayed for more than 2 Business Days without the prior written consent of the Underwriter;

**(Charge)** The Company or a Related Body Corporate charges or agrees to charge, the whole, or a substantial part of its business or property other than as disclosed in the Prospectus;

**(Default)** the Company is in default of any of any terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by it under the Underwriting Agreement;

**(Fails to Comply)** the Company fails to comply with any clause of its constitution, applicable statute, or any agreement entered into by the Company;

**(Capital Structure)** Other than as a consequence of the Placement, the Company alters its capital structure without the prior written consent of the Underwriter;

**(Constitution altered)** the constitution or any other constituent document of the Company is amended without the prior written consent of the Underwriter, which consent must not be unreasonably withheld;

**(Financial Assistance)** The Company seeks the approval of shareholders under section 260B of the Corporations Act, without the prior written consent of the Underwriter;

**(Business)** The Company disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property or ceases or threatens to cease to carry on business, and in either case without the prior written consent of the Underwriter;

**(Hostilities)** in respect of any one or more of Australia, the United States of America, Canada, any member state of the European Union, Indonesia, Japan, Russia, the Peoples Republic of China, North Korea or South Korea, hostilities not presently existing commence (whether or not war has been declared) or a major escalation in existing hostilities occurs (whether or not war has been declared) or a declaration is made of a national emergency or war or significant act of terrorism is perpetrated anywhere in the world;

**(Listing Rules)** the Company commits a material breach of the Listing Rules or fails to obtain or procure from ASX any waivers or approvals required under the Listing Rules;

**(Adverse change in financial markets)** any of the following occurs:

- any adverse change or disruption to the political or economic conditions or financial markets of Australia, the United Kingdom, the United States of America, Canada or the international financial markets or any change or development involving a prospective change in national or international political, financial or economic conditions;
- a general moratorium on commercial banking activities in Australia, the United States of America, Canada or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
- trading in all securities quoted or listed on ASX, the London Stock Exchange, the Toronto Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect.

**(Disclosures in Due Diligence Report)** the Due Diligence Report or verification material or any other information supplied by or on behalf of the Company to the Underwriter is or becomes misleading or deceptive, including by way of omission; and

**(Supplementary Prospectus)** a supplementary prospectus is required under the Corporations Act to be lodged with ASIC.

### **Covenants and warranties in the Underwriting Agreement**

The Company has given certain covenants and warranties to the Underwriter in relation to the Prospectus, the Company and the Offer, all of which are given to the best of the Company's knowledge having taken reasonable steps.

### **Company indemnity**

The Company indemnifies the Underwriter and the officers, employees, related bodies corporate and advisers of the Underwriter against all claims, demands, damages, losses, costs, expenses and liabilities incurred directly or indirectly in relation to the Prospectus, the Offer, the Underwriting Agreement, and in certain other related circumstances.

## **6.3 Rights attaching to Shares**

The rights and liabilities attaching to ownership of the Tissue Therapies Shares arise from a combination of Tissue Therapies' constitution, statute, the Listing Rules and general law.

A summary of the significant rights and liabilities attaching to Tissue Therapies' Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

### **Voting at a general meeting**

Subject to any shares which may in the future be issued with special or preferential rights, every Shareholder present in person at a general meeting of Tissue Therapies or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share held. On a poll, partly paid Shares confer a fraction of a vote in proportion to the amount paid up on the Share.

### **Meeting of Shareholders**

Each Shareholder is entitled to receive notice of, attend and vote at meetings of Tissue Therapies and to receive all notices, accounts and other documents required to be sent to Shareholders under Tissue Therapies' constitution, the Corporations Act and the Listing Rules.

## **Dividends**

The Directors may authorise the payment to members of those dividends which appear to the Directors to be justified by the financial position of the Company. Dividends are payable on all Shares in proportion to the amount of the total issue price paid (but not credited) for the Shares. This is subject to any special or preferential rights attached to any class of shares created after the issue of the Shares. If a fully paid Share is on issue for part only of the period in respect of which a dividend is payable, the dividend for that Share will be apportioned and paid according to the proportion that the part of that period for which the Share is on issue and is fully paid is of the total period in respect of which the dividend is payable.

## **Transfer of Shares**

Shares may be transferred by a proper transfer affected in accordance with the ASTC settlement rules, or by a written instrument of transfer in any usual form or in any other form approved by the Directors.

The Directors may only decline to register a transfer of Shares (other than a proper transfer in accordance with the ASTC settlement rules) where permitted or required to do so under the Listing Rules. If the Directors refuse to register a transfer, Tissue Therapies must, within five Business Days after the transfer is lodged with Tissue Therapies, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of Shares when required by the Corporations Act or the Listing Rules.

## **Issue of further Shares**

The Directors may allot, issue, grant options in respect of, or otherwise dispose of, further shares on such terms and conditions as they see fit. However, the Directors must act in accordance with the restrictions imposed by Tissue Therapies' constitution, the Corporations Act, the Listing Rules and any rights for the time being attached to the shares in any special class of those shares.

## **Winding-up**

If Tissue Therapies is wound up, then, subject to any special rights attaching to any class of shares, Shareholders will be entitled to participate in any surplus assets of Tissue Therapies in proportion to the amount paid up (or which ought to have been paid up) on their Shares when the winding-up begins.

## **Unmarketable parcels**

Subject to the Corporations Act, Listing Rules and ASTC settlement rules, Tissue Therapies may refuse to register a transfer where to do so would create a parcel of shares less than a marketable parcel of shares.

## **Share buy-back**

Subject to the provisions of the Corporations Act and the Listing Rules, Tissue Therapies may buy back Shares on terms and at times decided by the Directors.

## **Variation of class rights**

Unless otherwise provided by Tissue Therapies' constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or abrogated:

- (a) with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- (b) with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or abrogated, may apply to a court of competent jurisdiction to exercise its discretion to set aside the variation or abrogation.

### **Dividend reinvestment plan and bonus share plan**

Tissue Therapies' constitution authorises the Directors to establish and maintain dividend reinvestment plans (under which any Shareholder may elect that dividends payable by Tissue Therapies be reinvested by way of subscription for shares in Tissue Therapies) and bonus share plans (under which any Shareholder may elect to forego any dividends that may be payable on all or some of the Shares held by that Shareholder and to receive instead Shares).

### **Indemnities**

To the extent permitted by law, Tissue Therapies indemnifies every officer and former officer of Tissue Therapies against a liability incurred by the person acting in that capacity. In addition, every officer is indemnified out of the assets of Tissue Therapies against any liability incurred in defending any civil or criminal proceedings in which judgment is given in favour of the officer, or in which the officer is acquitted, or in connection with any application in relation to any such proceeding in which relief is granted to him under the Corporations Act by the court, and where proceedings are begun, but are struck out or are in any other manner discontinued or decided otherwise than by a judgment or conviction against the officer.

### **Alteration of Tissue Therapies' constitution**

Tissue Therapies' constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present and voting at a general meeting of Tissue Therapies. Tissue Therapies must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

## **7 Additional information**

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### **7.1 Consents and disclaimers of responsibility**

Each of the Directors of Tissue Therapies has consented to the lodgement of this Prospectus with ASIC.

McCullough Robertson has given, and has not withdrawn its written consent to being named as lawyers to the Issue in the form and context in which it is named. McCullough Robertson has not caused or authorised the issue of this Prospectus and takes no responsibility for any part of this Prospectus.

Link Market Services Limited has given, and has not withdrawn its written consent to being named in this Prospectus as Share Registry for the Company in the form and context in which it is named. Link Market Services Limited has not caused or authorised the issue of this Prospectus and takes no responsibility for any part of this Prospectus.

RBS Morgans Corporate Limited has given, and has not withdrawn, its written consent to being named as the Underwriter to the Offer and manager to the Placement in the form and context in which it is named. RBS Morgans Corporate Limited has not caused or authorised the issue of this Prospectus and takes no responsibility for any part of this Prospectus.

Lawler Hacketts Audit has given, and has not withdrawn its written consent to being named in this Prospectus as auditor for the Company in the form and context in which it is named. Lawler Hacketts Audit has not caused or authorised the issue of this Prospectus and takes no responsibility for any part of this Prospectus.

Professor Keith Harding has given and not withdrawn his written consent to being named and quoted in this Prospectus in the form and context in which he is named and quoted.

### **7.2 Experts and advisers interests**

Other than as set out below or elsewhere in this Prospectus, no expert or any firm in which any expert is a partner has, or has had in the two years before lodgement of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by Tissue Therapies and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any expert (or to any firm in which he or she is or was a partner) for services rendered by the expert or the firm in connection with the promotion, or was a director of Tissue Therapies. No form of payment of any kind will be made or agreed to be made to any such expert or firm other than in cash.

McCullough Robertson has acted as lawyers to the Offer and has performed certain work in relation to preparation of this Prospectus and due diligence enquiries, for which a maximum amount of \$45,000 exclusive of GST has been paid or has been agreed to be paid.

Lawler Hacketts Audit has acted as auditor to the Company and has performed certain work in relation to review of the pro forma balance sheet for this Prospectus for which a maximum amount of \$10,000 exclusive of GST has been paid or has been agreed to be paid, in addition to the audit fees.

RBS Morgans Corporate Limited has acted as underwriter for the Company in relation to the Offer and as manager in relation to the Placement for which it will be paid an underwriting commission, a management commission and a Placement Commission, details of which are disclosed in section 6.2 of this Prospectus.

### 7.3 Costs of the Offer and the Placement

All expenses connected with the Offer and the Placement are payable by Tissue Therapies, including professional fees, underwriting fees, share registry fees, printing costs and other miscellaneous expenses. These expenses are estimated at \$854,630 (**Costs**).

### 7.4 Interests of Directors

#### Shareholdings

The Directors of Tissue Therapies, their associates or related parties have a relevant interest in the following shares and Options in Tissue Therapies:

Director*	Shares	Options
Roger Clarke	5,058,000	
Steven Mercer	1,125,750	705,000
Gregory Baynton	747,860	
Melvyn Bridges	90,677	250,000
Cherrell Hirst		250,000

\*Note: includes registered holdings in Shares by associates of the Directors.

The Directors reserve their rights to take up their Entitlements in full.

Some Directors may also participate in the Offer as sub-underwriters to the extent permissible under the Corporations Act and the Listing Rules.

#### Remuneration

For the current financial year ending 30 June 2011, the non-executive Directors will each receive Directors' fees and superannuation contributions of up to \$43,600 in total.

For the current financial year ending 30 June 2011, the Chairman will receive directors' fees and superannuation contributions of up to \$49,050 in total.

A Director may be paid fees or other amounts as the Directors decide where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

#### Relationship to the Underwriter

Roger Clarke is a past director and currently serves as chairman of the board of advice for RBS Morgans Corporate Limited.

### 7.5 Declaration

Other than set out above or elsewhere in this Prospectus:

- (a) no Director or proposed Director of Tissue Therapies, and no firm in which a Director or proposed Director of Tissue Therapies is or was at the relevant time, or has had in the two years before the date of this Prospectus, any interest in the formation or promotion of, or in any property proposed to be acquired by Tissue Therapies; and
- (b) no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any Director or proposed Director of Tissue Therapies (or to any firm in which he or she is or was a partner) either to induce him or her to become, or to qualify him or her as a Director, or otherwise for services rendered by him or her or by the firm in

connection with the promotion or formation of Tissue Therapies, or in connection with the offer of securities in Tissue Therapies.

## **7.6 Privacy**

Upon applying for New Shares in the Company, Applicants will be required to provide personal information to Tissue Therapies directly and/or via the Share Registry, such as name, address, telephone/fax numbers, tax file number and account details. The Company and the Share Registry collect, hold and use that personal information to assess Applications, provide facilities and services to Applicants and undertake appropriate administration. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with such information in accordance with the Privacy Act 1988 as amended. Applications which do not provide the information requested may not be processed. Under the Privacy Act 1988 as amended, Applicants may request access to their personal information held by or on behalf of the Company by contacting the Share Registry as set out in the Corporate Directory.

## **7.7 Directors' statement**

The Directors report that, after due enquiry by them, they have not become aware of any circumstances which, in their opinion, will materially affect the assets and liabilities, financial position and performance, profits and losses or the prospects of Tissue Therapies other than as disclosed in this Prospectus. Each of the Directors has consented to the lodgement of this Prospectus under section 720 Corporations Act.

Dated 15 April 2011



Signed for and on behalf of  
Tissue Therapies Limited  
**Steven Mercer**  
**Managing Director**

## 8 Definitions

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In this Prospectus:

<b>Term</b>	<b>Definition</b>
<b>\$</b>	Australian dollars.
<b>ABN</b>	Australian Business Number.
<b>AEST</b>	Australian Eastern Standard Time, being the time applicable in Brisbane, Queensland, Australia.
<b>Annual Report</b>	The Annual Report of the Company for the financial year ended 30 June 2010 which includes audited financial statements for the financial year ended 30 June 2010 and the auditor's report which was lodged with ASX and ASIC on 10 September 2010.
<b>Applicant</b>	a person or entity who submits an Entitlement and Acceptance Form.
<b>Application</b>	an application to subscribe for New Shares under this Prospectus.
<b>Application Monies</b>	the Offer Price multiplied by the number of New Shares applied for.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASTC</b>	ASX Settlement Pty Limited ABN 49 008 504 532.
<b>ASX</b>	ASX Limited ACN 008 624 691 and the exchange operated by it.
<b>Board</b>	the board of directors of the Company.
<b>Business Day</b>	a business day as defined in the Listing Rules.
<b>CHESS</b>	Clearing House Electronic Subregister System, operated by ASTC.
<b>Closing Date</b>	the date on which the Offer closes, being 5.00pm (AEST) on 19 May 2011, which may be varied without prior notice by the Company in consultation with the Underwriter.
<b>Company or Tissue Therapies</b>	Tissue Therapies Limited ABN 45 101 955 088.
<b>Constitution</b>	the constitution of the Company.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Costs</b>	direct costs of the Offer and Placement including fees paid to the Underwriter, advisers and consultants and to providers of specific services to cover share registry, printing and postage referred to in section 7.3.
<b>Directors</b>	the directors of Tissue Therapies.
<b>Eligible Shareholders</b>	eligible shareholders with registered addresses in Australia or New Zealand to whom the Offer will be made.
<b>Entitlement</b>	the right to subscribe for New Shares at the Offer Price under the Offer.
<b>Entitlement and Acceptance Form</b>	a Shareholder's personalised Entitlement and Acceptance Form accompanying this Prospectus.
<b>EU</b>	European Union.
<b>Existing Shares</b>	Shares on issue in Tissue Therapies as at the Record Date.
<b>FDA</b>	Food and Drug Administration (United States).

<b>GMP</b>	Good Manufacturing Practice which is set by Australian Code of Good Manufacturing Practice for Medicinal Products (16 August 2002).
<b>Half Yearly Report</b>	the Half Yearly Report of the Company for the half year ended 31 December 2010 which includes reviewed financial statements for the financial year ended 31 December 2010 and the auditor's report which was lodged with ASX and ASIC.
<b>Listing Rules</b>	the official listing rules and requirements of the ASX.
<b>New Shares</b>	new Shares in the Company issued under this Prospectus.
<b>Offer</b>	the non-renounceable entitlement issue of approximately 18.72 million New Shares (subject to rounding) made under this Prospectus to persons who are registered or entitled to be registered as a holder of Shares as at the Record Date, on the basis of 1 New Share for every 8 Existing Shares held at an Offer Price of \$0.50 per New Share.
<b>Offer Price</b>	\$0.50 per New Share.
<b>Options</b>	options to acquire Shares in the Company which have been granted from time to time on various terms, the details of which are set out in section 3.4 of this Prospectus.
<b>Optionholders</b>	holders of Options in the Company.
<b>Placement</b>	the offer of Placement Shares made to institutional, professional and sophisticated investors to raise approximately \$5.75 million, announced on 15 April 2011.
<b>Placement Shares</b>	the 11.50 million Shares in Tissue Therapies issued under the Placement at \$0.50 per Share.
<b>Preclinical trial or preclinical study</b>	device development studies including formulation, optimisation and investigations in vitro and in animals to assess efficacy, and safety before human clinical trials.
<b>Prospectus</b>	this prospectus.
<b>QUT</b>	Queensland University of Technology.
<b>R&amp;D</b>	research and development.
<b>Record Date</b>	7.00pm (AEST) 28 April 2011.
<b>Registry, or Share Registry</b>	Link Market Services Limited ABN 54 083 214 537.
<b>Shareholder</b>	any person holding Shares in the Company.
<b>Shares</b>	fully paid ordinary shares in the Company.
<b>TGA</b>	means Therapeutic Goods Administration (Australia).
<b>Top-Up Shares</b>	New Shares which may be allocated out of any shortfall in subscriptions for New Shares by Shareholders who have applied for them in addition to taking up their full Entitlement to New Shares.
<b>UK</b>	United Kingdom.
<b>Underwriter</b>	RBS Morgans Corporate Limited ABN 32 010 539 607.
<b>Underwriting Agreement</b>	the underwriting agreement between the Company and the Underwriter dated 14 April 2011 referred to in section 6.2.
<b>US</b>	United States of America.

## 9 Corporate Directory

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### Company

Tissue Therapies Limited  
ABN 45 101 955 088

[www.tissuetherapies.com](http://www.tissuetherapies.com)

### Registered Office

Level 11 Central Plaza Two  
66 Eagle Street  
Brisbane QLD 4000  
Tel (07) 3233 8888  
Fax (07) 3229 9949

### Directors

Mr Roger Clarke (Chairman)  
Dr Steven Mercer (Managing Director)  
Mr Gregory Baynton (executive Director)  
Dr Cherrell Hirst (non-executive Director)  
Mr Melvyn Bridges (non-executive Director)

### Company Secretary

Mr Drummond McKenzie

### Underwriter to the Offer

RBS Morgans Corporate Limited  
ABN 32 010 539 607  
Level 29 Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000

[www.rbsmorgans.com](http://www.rbsmorgans.com)

### Lawyers

McCullough Robertson  
Level 11 Central Plaza Two  
66 Eagle Street  
Brisbane QLD 4000

[www.mccullough.com.au](http://www.mccullough.com.au)

### Auditor

Lawler Hacketts Audit  
Level 3, 549 Queen Street  
Brisbane QLD 4000

[www.lawlerhacketts.com.au](http://www.lawlerhacketts.com.au)

### Share Registry

Link Market Services Limited  
ABN 54 083 214 537  
Level 15, 324 Queen Street  
Brisbane QLD 4000

Tel 1300 551 756 (within Australia)  
+612 8280 7782 (outside Australia)

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

